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NATIONAL BUSINESS REVIEW

Inside

PO revenues rocked as big customers go it alone

by Rae Mazengarb

THE Post Office's remaining customers face the prospect of even higher postal charges as increasing numbers of bulk-mail users take their business elsewhere.

While bulk users are saving thousands of dollars in delivery costs, the Post Office is losing hundreds of thousands of dollars in revenue.

Each envelope delivered by Wellington's Municipal Electricity Department for just 5c, for example, means that the Post Office loses the 14c it charges for sending the envelope through the mail. The MED sends bills to 54,000 customers every two months.

The Post Office is anxious to make its services more attractive to major users.

But it is bound by the principle of equalisation of services from one end of the country to the other.

Some areas are not profitable, and metropolitan mail operations, subsidise rural services.

And as Post Office charges increase — more rises take effect on April 1 — the bulk-mail users who significantly contribute to postal revenues are attracted to cheaper alternatives.

The Auckland Electric-Power Board is the latest bulk-mail user to switch to private delivery.

It expects to save more than $70,000 this year by delivering electricity bills by hand. That will cut its postage bill in half.

Accounts are expected to be despatched more quickly, for good measure.

Several other major users of the postal service are considering private delivery.

The benefits can be shown by those who have already switched.

The Hutt Valley Electric Power and Gas Board saves $25,000 a year by using its own staff to deliver accounts.

In Wellington, the MED has been delivering bills by hand for five months. Savings have been estimated at about $30,000.

It's not likely that all 63 electrical supply authorities and 21 gas suppliers will follow suit. Some authorities in rural areas will find the process uneconomic.

But the Waitemata Electric Power Board seems likely to adopt private deliveries.

The Christchurch MED has never used the postal system except in special cases. Its employees read meters, bill householders on the spot; and omit the need to post.

The idea of private delivery is attractive to city councils, for sending out rate demands.

The Wellington City Council Treasurer is completing a costing exercise.

The Tawa Borough Council has been delivering rate bills privately for three years, saving $2000 a year.

Wellington MED's Peter Vernon said all accounts were delivered by hand, except for final notices which warn that power might be cut off. This places a degree of insurance into the delivery system.

If there was a slip-up in deliveries of the first accounts, the final notice would be delivered, Vernon said.

The new procedure was a direct response to the increased postal charges, Vernon said.

The MED would save some $30,000 on postage each year.

The delivery service costs around 5c per envelope, compared with 14c using the postal service.

"The fact of the matter is, we're running a business organisation, and like all businesses, we've been forced to look at costs", Vernon said.

"It immediately raises the question as to how an envelope can be delivered for 5c wheras the Post Office charges 14c — and they are supposed to be the specialists", he said.

The Post Office Act forbids private firms becoming involved in Post Office business. But the MED contracts with individuals on the staff to make deliveries.

The system was cheaper and more convenient, Vernon said.

Post Office Director-General Bill Hickson explained that the Post Office must service its whole range of operations on an even-handed basis.

Some services were not profitable, but the Post Office was obliged to retain them and users were charged at a universal rate to spread costs.

"Sure, people can make a case for creaming off an element of our business. But the remaining customers will pay more," Hickson said.

Readers Digest Association (NZ) Ltd general manager Robert Morley said his company did not employ staff for deliveries in New Zealand, but the possibility had been discussed.

Morley said the last hike in Post Office charges had not resulted in a reduction in his company's mailing volume.

The increases had hit hardest in the magazine subscription area, because subscriptions were fixed for one year — sometimes two years — in advance. Thus Post Office charge increases could not immediately be recovered by Readers Digest.

The company had used courier services for some product delivery, and some promotional mail — material in an unaddressed form — had been delivered privately, he said.

Readers Digest is involved in discussions with the Post office to find if mail could be delivered in a form which would be more economically handled.

If the talks were successful, the Post office "may give us some compensation", Morley said.

Duke tipped to lead Consolidated Traders

PRIVATE game hunter, processor and exporter Consolidated Traders Ltd is planning to go public later this year.

The Duke of Atholl, one of Scotland's largest land owners and deer farmers, last week was inspecting Consolidated's operations. He is expected to become chairman of the public company.

Established by Rex Giles in Wellington in 1962 with a registered capital of $4000, the group has grown into a multi-million-dollar business, exporting venison and a wide range of other game products.

Associated and subsidary companies are involved in deer farming, breeding, game recovery, fish packing and processing, tanning — a joint venture with an Italian firm processes opussum skins at Woodville — shipping and helicopter operating.

More recently, mining has been added to the list of activities and last year Giles registered Consolidated Traders (Foodmarkets) Ltd to retail and wholesale both within New Zealand and overseas game and a wide range of fresh, frozen and processed foodstuffs.

The group is one of the top three venison and antler velvet exporters and processors in the country.

It also has the distinction of holding the first deer-farming licence, though it can no longer claim to be the largest in that field.

Consolidated Traders has yet to submit its articles to the Stock Exchange Association for approval, the first step towards a public listing.

But it is understood the company is well advanced in its planning.

The week

HUGH Watt, former Acting Prime Minister, Deputy Leader of the Labour Party and High Commissioner in London, died, aged 67, after a long illness.

IT was likely world trade would decline in 1980, according to the Japan External Trade Organisation (JETRO). JETRO forecast a 1.9 per cent growth rate in world trade for 1980 — less than half the 4.3 per cent growth rate recorded in 1979. The causes of this is tighter monetary and fiscal policies and continued large increases in import prices, JETRO says.

LABOUR MP for Papanui, Mike Moore was appointed to replace Richard Prebble in the Labour Party's new shadow cabinet.

THE Government allocated $640.3 million in grants to meet operating expenses of universities over the next five years.

NEW Guinea Prime Minister Michael Somare was in the capital for talks with Government Ministers and officials.

BANK officers won pay increases ranging from 10.4 per cent to 11.5 per cent. The basic 40-hour week is cut to 37½ hours and a maternity leave clause introduced.

A TOTAL of 464 new companies, including three overseas companies, were registered throughout New Zealand during December 1979 (in December 1978: 609 and 7 respectively), the Justice Department announced. Receivers were appointed to 37 companies during the month, while 11 ceased to act. (in December 1978: 34 and 20 respectively). Forty-three companies were subject of court orders to wind up, while 35 went into voluntary liquidation. (December 1978: 21 and 27 respectively). One hundred and nine companies (including two overseas companies) were dissolved during December 1979 either by liquidation being complete or being struck from the register. (December 1978: 834).

GOVERNOR-General Sir Keith Holyoake escaped by a back entrance when Waitangi Day celebrations in Northland heated up. Earlier he was confronted with protesters. Northern Maori MP Matiu Rata talked of discontent among Maori people.

AN annex to the report by former chief Ombudsman Sir Guy Powles on the Security Intelligence Service in the Sutch case was released for publication by the Prime Minister, Rob Muldoon.

PM Muldoon predicted the country should be able to move towards economic growth of up to 3 per cent a year in the 1980s.

THE Government an-ounced price controls on electricity would be lifted from April 1. Supply authorities will be able to determine price increases without meeting with Government.

NEW wine regulations proposed to define levels of grape juice, sugar and other chemicals could take effect by March, said Health Minister George Gair. Wine from this year's harvests is expected to conform to the new regulations.

CIVIL Aviation Director-General Captain Kippenberger ordered Air New Zealand to give cabin crews on Thursday flight TE006 to Los Angeles a longer break for passenger safety.

Mike Moore . . . shadow Cabinet post.

Sir Keith . . . protest trouble.

Bill Rowling . . . off the Australia

The weeks ahead

MONDAY: The Minister of Foreign Affairs will chair the second World Bank Subcommittee meeting on the Palestine Liberation Organisation in Paris.

TUESDAY: The first meeting of the year for the Opposition Labour Caucus to elect new Whips.

WEDNESDAY: Trade and Industry Minister, Lance Adams-Schneider will address the New Zealand Manufacturers Council at Industry House, Wellington.

THURSDAY: The first National Party Caucus meeting of the year will ratify a series of Government appointments.

Trade and Industry Minister Lance Adams-Schneider will address a dinner for the retirement of New Zealand Meat Board general manager Ernie Reed, at the Canterbury Club in Christchurch.

Labour leader Bill Rowling will meet senior Labour officials in Sydney before going to Brisbane for talks with Australian Labour leader Bill Hayden on economic ties between Australia and New Zealand.

FEBRUARY 10-16: Britain's Federation of Sussex Industries' 12-company mission will be in New Zealand.

MARCH 8-9: Auckland division of the National Organisation for Women will celebrate International Women's Day with a seminar on feminist topics.

JUNE 11-14: Major agricultural export fair, Ag-Exp (organised by the Export Institute) to be opened by Prime Minister, Rob Muldoon.

The business week

Alex Harvey Industries Limited subsidiary Dunedin shipping container manufacturer **George and Ashton Limited,** will close, making 176 staff redundant because of container market contraction. Manager Don Stewart blamed undercutting by huge Japanese, English and West German firms for the drop in orders.

Arthur Barnett Limited, Dunedin retailers, lowered profits by 16 per cent in the latest six-monthly report. But the company maintained an interim dividend of 8 per cent (1 per cent up on last year).

Ceramco Limited plans to set up a pollution-free silicon carbide industry in the South Island, in association with a West German firm, subject to Government decisions over the allocation and cost of surplus electric power. Among silica carbide's many uses is steel-making. Most will be exported.

City Realities property group doubled tax-paid profit in the six months to December 31. It will be paying an interim dividend of 9 per cent. Directors expect the present trend of profit increases to continue for the year to June 30.

Republic Petroleum Corporation's shares "are worthless" company secretary G M Carter told hopeful shareholders. The company drilled four shallow dry wells at Port Taranaki in the mid 1970s. Work stopped in 1976 and the shares were suspended in 1977. Several companies are interested in taking out a prospecting licence for Republic's concession.

Vacation Hotels Limited's preliminary report to the Stock Exchange shows a 26 per cent fall in earnings for the year ended October 31. Unaudited consolidated tax-paid profit was $699,265 (last year $946,672). Directors recommended paying a 11 per cent dividend (March 21, ex March 6).

The Government's redemption of $5 million worth of preference shares will end its founding interest in NZ Steel Co Ltd. The Government which sold the last of its ordinary shares last September, established the company in 1965. It held [illegible] per cent of the shares because the public failed to fully subscribe. NZ Steel plans to decrease the nominal capital by $5 million as a result of the redemption.

Arthur Yates and Co Limited reported a net profit increase of over 33 per cent for the year ended November 30, 1979. Directors will be recommending a final dividend of 13 cents to be paid from tax-free reserves.

Lombard's, the finance arm of the British National Westminster Bank, was tipped as one of the likely buyers of Diners Club NZ Limited. The Examiner of Commercial Practices has ruled against a trading bank, or finance company associate of a trading bank, acquiring the card. This would rule out Marac and General Finance, which are interested in acquiring Diners Club.

Hallenstein Bros. Limited increased sales by 17 per cent for the half-year to December 31, 1979. Unaudited tax-paid profit before tax was increased by 36.6 per cent. An interim dividend of 8 per cent will be paid on February 22 (1 per cent up on the previous year).

PO brings money to the Chathams

SIX hundred Chatham Islanders, isolated 700 kilometres from "New Zealand", have won another battle to get the facilities mainlanders take for granted.

The Post Office can now offer banking services, including overdrafts and cheques to companies and other entitiers on the islands and in other isolated communities on the mainland following an amendment to its governing regulations late last year.

The islanders have failed to persuade one of the trading banks at least to open an agency. Communication problems have been the excuse used — mail is frequently off loaded when the weather restricts the limited payload of Safe Air's lumbering Bristol Freighters and even now the Post Office's Waitangi computer terminal recording transactions on island accounts is located in Christchurch.

The amended regulations will allow Post Office Savings Banks to offer the same services as trustee savings banks, further sharpening the competition against trading banks.

The Postmaster General can sanction the opening of cheque accounts for corporate and unincorporated bodies where he is satisfied that trading bank facilities are inadequate or non-existent.

A Post Office spokesman said such accounts might be permitted in small towns, particularly in the King Country and possibly along the East Coast of the North Island, where there were only limited banking facilities.

He pointed out that the Post Office has 1200 branches compared with the [illegible] branches of the five trading banks.

The week

Govt not hooked on fishing school scheme

by Warren Berryman

PROPOSALS for a school of fisheries science at Victoria University are being cold-shouldered by the Government and Fishing Industry Board.

Plans for a three-year degree course to be run at the school were submitted to the University Grants Committee and the Government, which funds such schemes.

The Government is believed to prefer a one-year post-graduate course, rather than a full degree course.

But it is not clear if the one-year course would cost less. The same number of additional academic staff probably would be required.

The estimated potential value of this country's fisheries resources is $230 million a year. That ranks the industry with forestry and some agricultural sectors.

New Zealand has forestry and agriculture schools, but none for fisheries.

The Fishing Industry Board argues that if the Government has spare cash for the fishing industry, it could be better spent on other projects.

The total cost of the three-year course option, excluding establishment expenses, would have been about $200,000 a year.

The committee which planned the school — headed by economist Brian Philpott — is believed to have estimated industry demand for graduates at 20 to 25 a year.

Nick Jarman, head of the Fishing Industry Board, said he doubted the money for the new school was justified in light of the industry's demand for the sort of graduates it would produce.

The course was too general, he said. Industry wanted specialists.

The sort of generalised training provided by such a school was better suited to producing Government servants than fishermen, Jarman said.

If Government had money to spend on the fishing industry, it would be better spent at the grass roots level, training a large numer of fishermen, rather than creating a centralised school.

The money could also be put to good use buying training boats, Jarman said.

Jarman is chairman of the Fishing Industry Training Committee. This body provided the training fishermen wanted, — and that was not a degree, he said.

If, the Government had spare cash it might subsidise fishermen, paying them at least as much as the dole, to stop fishing and attend training courses, Jarman said.

He acknowledged the major fishing nations had degree courses in fishing, but pointed out that the large nations had greater need of administrators than we did.

"Japanese skippers often hold a degree in fishing. But they are no better fishermen than our fishermen," he said.

Jarman said he saw no more than 10 job openings for fishing school graduates in the forseeable future.

The major concern of the Fishing Industry Board was that local involvement in fishing the 200-mile zone was not increasing fast enough, he said.

The Philpott committee drew up plans last May for the three-year degree course to be run at a fishing school at Victoria.

Major fishing nations, such as Japan and the United States, have degree courses in fishing science.

New Zealand universities and technical schools teach some relevant disciplines, but no coherent degree course is offered.

The fishing school was the brainchild of Philpott, who set out many of the arguments in a paper read to the Seafood Processor's Association last July.

The volume of output in the fishing industry was growing by 3.8 per cent a year while capital and labour employed grew at the rates of 4.7 and 3.5 per cent a year respectively, Philpott said.

The rate of technical change in the industry had been zero, he said.

Not disregarding the effects of capital input on technological change, Philpott put the zero rate of technological change down to lack of training

He contrasted the fishing industry's zero technical growth with farming, where good agricultural schools exist and technical growth is 1.5 per cent a year.

The rate of return on capital for fishing (distinct from fish processing) is only about 1 per cent, compared with farming at 10 per cent, Philpott said.

Philpott said he saw the degree course as a means of recruiting bright young people into the fishing industry from secondary school.

Brian Philpott... pushing for fishing school.

Other members of his committee at Victoria saw the new school as a means whereby New Zealand could catch up with the major fishing nations in fishing expertise.

It is thought that the three year course would have produced:

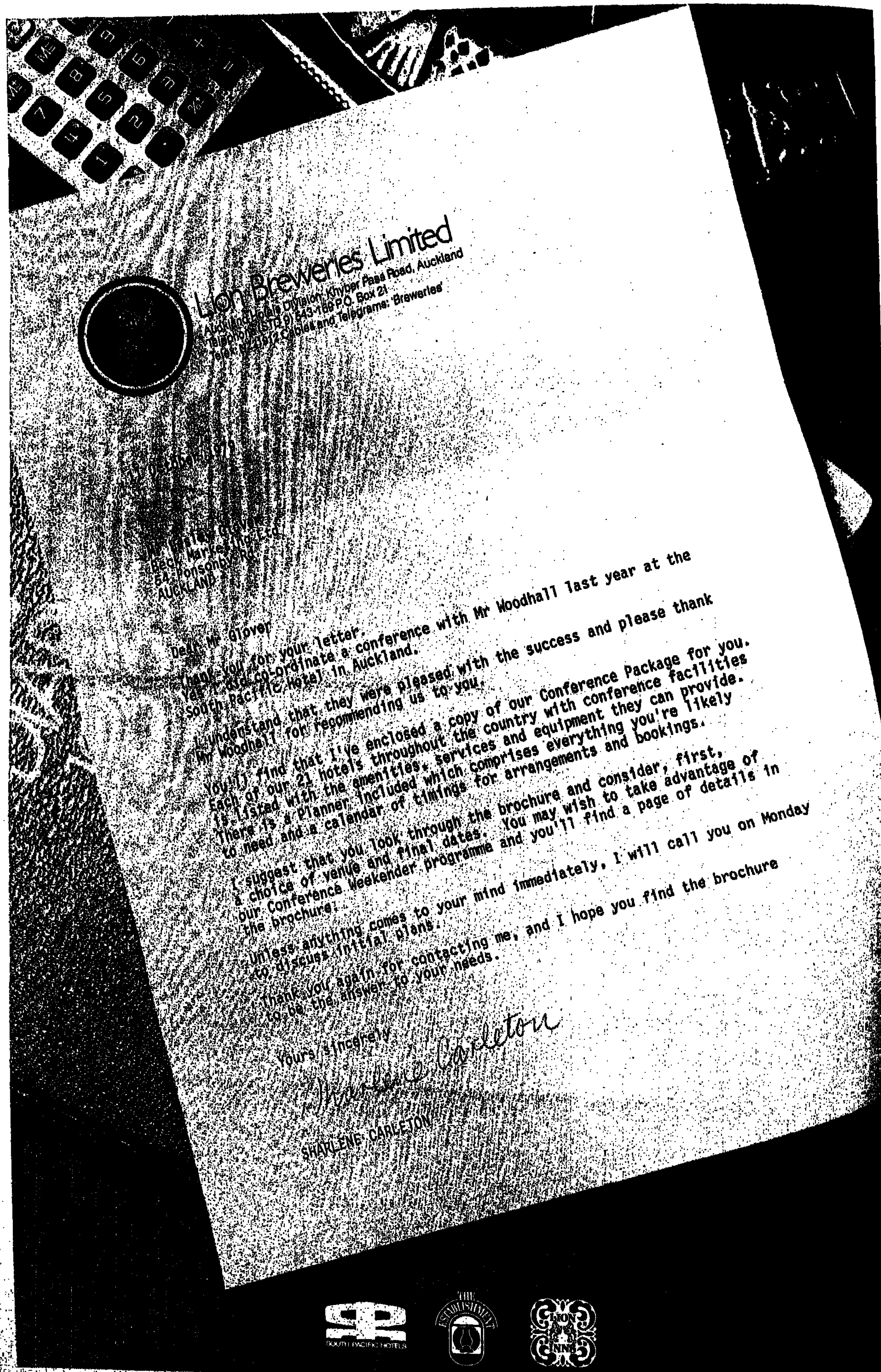
- Fisheries scientists majoring in marine biology, but training in economics, marketing, and maritime law;
- Fisheries advisory offiers;
- Market researchers specialised in fish products;
- Fisheries managers, skilled in management techniques with a background in marine biology
- Fishing technical experts schooled in catching methods;
- Food technologists;
- Financing experts to appraise new fishing projects;
- Government administrators.

It is understood the proposed three-year course would have included such subjects as biology, maths, economics, physics, business administration, law and fisheries policy and administration.

Massey University teaches food technology and fishing school students could have travelled to Massey for that part of their training.

The proposed school would have had its own dean, but it is thought that existing courses in many of the above disciplines could have accommodated the fishing students.

The strength of Victoria's marine biology department, access to Agriculture and Fisheries marine laboratries, and access to training and research vessels, made Wellington a good location for the school.



The week

Computer ticketing: all major airlines on course for MARS

by Warren Berryman

ALL major airlines operating in New Zealand have signed up for the multi-access reservation system, MARS, operated by Broadlands but now controlled by Air New Zealand.

Airlines, previously suspicious of any such system operated by Air New Zealand, have been convinced that Broadlands will maintain strict confidentiality.

Support assured, Broadlands is now tying in off-line carriers such as Garuda (Indonesian Airlines), Braniff, and TWA.

A system of credit card authorisation is being developed. Ultimately travel agents will have access to all airline flights available, and be able to make firm bookings through a desk-top computer.

They will also be able to book hotels through the system.

Air New Zealand will have two access points to the Vidicom computer – one for Air New Zealand and one for the old NAC system for domestic flights.

The domestic and international computersystems won't talk to each other – a hangover from the Air New Zealand-NAC merger.

Both systems were designed by BOAC (now British Airways). They could have been designed to speak to each other but rivalries then existing between two companies precluded this.

Air New Zealand was offered the Vidicom system some three years ago, but declined to take it up. Instead, it tried to sell travel agents and airlines on its own house Terrior system. Suspicion of Air New Zealand in the industry killed the idea.

Broadlands entered the market with the Vidicom system and sold it successfully on the grounds that strict confidentiality would be maintained.

Air New Zealand declined to buy into the Vidicom system so long as it remained under Broadlands control.

Air New Zealand then announced it would introduce the TIAS system – a system owned and operated by the Australian airlines. That announcement came just after Broadlands was to begin operating the Vidicom system.

It was widely acknowledged there was room in this small market only for one system – not two.

So Air New Zealand bought 51 per cent in MARS and left Broadlands with 49 cent.

The system itself will be operated by Broadlands, which will maintain its integrity.

Competing airlines had been worried that an Air New Zealand-controlled TIAS would not allow them access to the computer for services not provided by Air New Zealand – an enforced lowest common denominator of service.

But Broadland sources say the Vidicom system will accommodate any service the airlines wish to supply.

The question then arises: who gets the immediate marketing edge when MARS begins operating.

Some agents and airlines are already hooked into the Vidicom system. Others, loyal to Air New Zealand, had been waiting for TIAS.

Ties from agents and airlines though a computer are made via leased telephone lines.

Air New Zealand already has a network of leased lines to many of its offices throughout the country.

Broadlands has not established sub-computers in areas outside Auckland.

Air Force takes a fly at trade promotion

THE Fifth Squadron of the New Zealand Air Force has decided to do its bit for the export drive.

Information officer for the Whenuapai-based squadron, Graeme Pleasants said last week the squadron often flew overseas where it was asked about New Zealand and its products.

So Pleasants has been writing to exporters for sales brochures. The response had been good, he said.

Information will be given to crew members to pass on to foreign contacts.

The squadron's regular New Zealand evenings for foreign guests will be turned to promote New Zealand functions with company posters on the walls.

The squadron next flies to Hawaii, where the New Zealand evening will take the form of a wine and cheese do featuring local cheeses donated by the New Zealand Co-op Dairy Company.

At least one exporter is enthusiastic about the project. David Stone, of New Zealand Particle Board – a close neighbour to the air base – said: Our company intends to gratefully seize this opportunity with both hands. The armed forces going to the considerable trouble of promoting New Zealand and its exporting companies while on foreign soil shows considerable initiative."

Planning Council spreads its reach

by Rae Mazengarb

ISSUING reports is only part of the overall planning process, and if a project is to be successful, it must spark debate and involve the public, Planning Council chairman *Sir Frank Holmes said last* week.

Outlining the council's publication programme, Sir Frank said that while the council generally might be thought of as an "economic" body, it had an on-going interest in all aspects of social and cultural life.

Planning Council projects published in the early part of this year will cover major issues such as employment in the 1980s, migration, investment, regional development and policy, fiscal policy and trade and structural adjustment.

At the same time, the Planning Council has taken part in the preparation of major *works being undertaken* by other organisations.

The council also helped to prepare a Government paper which appears this week and looks at the country's growth opportunities.

The council intends to publish in April its own "critical" document on investment issues in the form of a policy analysis report.

Since last year's work on energy, the council had been looking at the man power problems that might arise as the energy programme got underway, wage implications and so on.

Three of the council's own reports have been completed and will appear shortly.

The first, published in association with the Reserve Bank, is a study of fiscal policy, a follow-on from last year's look at the welfare state.

Trade and Structural Adjustment looks comprehensively at particular problems in trading. It will appear in March.

The third work – *Regional Development* – describes the regional development objectives, evaluates the extent to which they are being achieved and puts them in relation to overall national development programmes.

The problem of migration and the lack of helpful data on the subject prompted the council to undertake a survey late last year. Preliminary results were released last December, but the final detailed analysis of the types of people leaving, why they are going and where they are going to, will appear in April.

Perhaps the document which will attract the most interest concerns employment.

Already circulating among various "interested" groups is a preliminary Task Force work, *Employment Strategy for the 1980s*, which gives great space to the subject of "active labour market policy".

The final work will attempt to solve the problem of ensuring there are enough jobs, *improving the education system* to match the supply of people to the required skills, and finally matching the supply and demand in the labour market.

While the council plans to bring together a great deal of its past works and critical comments about its policies into a general development policy some time later, it also hopes to take a broad look at the public sector.

Comment

Editorial

THE Prime Minister has given ample proof to the Danks Committee, now inquiring into the Official Secrets Act and how it can be reformed to allow greater public access to Government information, that the "confidential" stamp is being applied excessively to departmental files whose contents pose no threat to the nation's security.

The committee would also do well to consider classification procedures that ensure that information is locked away until the Prime Minister, for reasons of pure political expediency, deems publication appropriate.

Last week, the public was treated to a bit more information from the Ombudsman's report into the Security Intelligence Service only because Rob Muldoon had been rash enough to stir up the Sutch affair.

The justification for releasing the information was Muldoon's concern to support his gratuitous contention in Manila that Dr Sutch was "as guilty as sin", although the details released last week failed to show what — if any — Dr Sutch had passed on to the Russians during what admittedly were curiously clandestine meetings with men said to be Soviet agents.

The material released by Muldoon had been an annex to the full Ombudsman's report, which had been top secret. Only a sanitised version of the report was published at the time. Indeed, when Muldoon first received the full report, in June 1976, he said he had not decided if he would pass it on even to Opposition Leader Bill Rowling because: "There is some material in this (the report) that, frankly, I do not think should go very far at all."

How much of it shouldn't go too far is open to speculation, now that we have been made privy to some of it and the state has survived the shock.

As Muldoon conceded, the information was classified at the time even though it was not regarded as sensitive, because it did not then add a great deal more to the argument.

In the context of the situation now, however, the Prime Minister considers the information significant.

But who should decide when state secrets have sufficient significance to be made public and in what circumstances?

According to Muldoon, there is "no specific process" for declassifying secret reports. Nor is there any law requiring him first to refer such matters to the Intelligence Council for a decision. But he advised reporters not to inquire into declassification procedures; rather, they should stick to the matter of Dr Sutch. We are therefore expected to accept that the latest information on the SIS and Dr Sutch (who was found not guilty by a jury, of official secrets charges laid against him, and whose death should ensure he is no longer a security risk) has become fit for public consumption because: "It seemed to me to be appropriate to release it".

Presumably, Muldoon feels we can trust him to act in the national interest when making state files public property. But his track record scarcely inspires confidence. His impetuousness resulted in his blurting out the remark — based on the contents of a police file — that brought Colin Moyle's political downfall. Muldoon is said to have frankly told Sir Alfred North (acting as a Commission of Inquiry into the incident) how he received the information. But Sir Alfred's report gave the public no explanation of how it happened.

The findings of the commission, incidently, did not justify the remarks which made the inquiry necessary.

Initially, the public was allowed to see only an edited version of the North inquiry report. Publication of the full report was authorised more than a year later, after Muldoon had been rankled by a "campaign of harassment against my daughter and son-in-law".

A transcript of the evidence heard by Sir Alfred has been locked away for 25 years because the Prime Minister's Department head Bernie Galvin said it contained comments which would "considerably damage the body politic".

That judgment may be tested long before the 25 years are up, if Muldoon's whims have anything to do with it.

Muldoon said he was unmoved by editorial criticism of his actions in Parliament that sparked the "Moyle affair". He never read editorials, he said: "they can say what they like", and what had happened was mere "counter-punching".

Thus he is not likely to read this advice, which we will refer instead to the Danks Committee. It is simply this: confidental information in Government files obviously can be used for political purposes, so giving the public cause for grave disquiet. Should authority to release that information be placed in the hands of a politician to load his glove for counter-punching those who irritate him?

— Bob Edlin

Without word of a lie

When there's a swill — help McLay

JUSTICE Minister Jim McLay's Birkenhead electoral fund-raisers don't let the grass grow under their feet when it comes to turning a quid for the party.

Latest in a long line of gimmicks are two wines, "National Vin Blank" and "Labour Vin Rot" bottled for the Birkenhead boys and yielding $1 a bottle for the party coffers.

Best known for their free-enterprise remits to party conferences, the fund-raisers shy away from suggestions of commercialism in their wine-selling venture.

And, of course, there is no way the Minister of Justice would want to be mixed up in a sly-grogging exercise. The wine, carried about in car boots, is not being sold; it is being "distributed" to party stalwarts.

The National Party white wine is described as "slightly acid at the top", the Labour red is described as "soft".

But an *NBR* staffer's taste buds indicate the joke might be on the National Party. The white is very acid, and the red is the more palatable of the two.

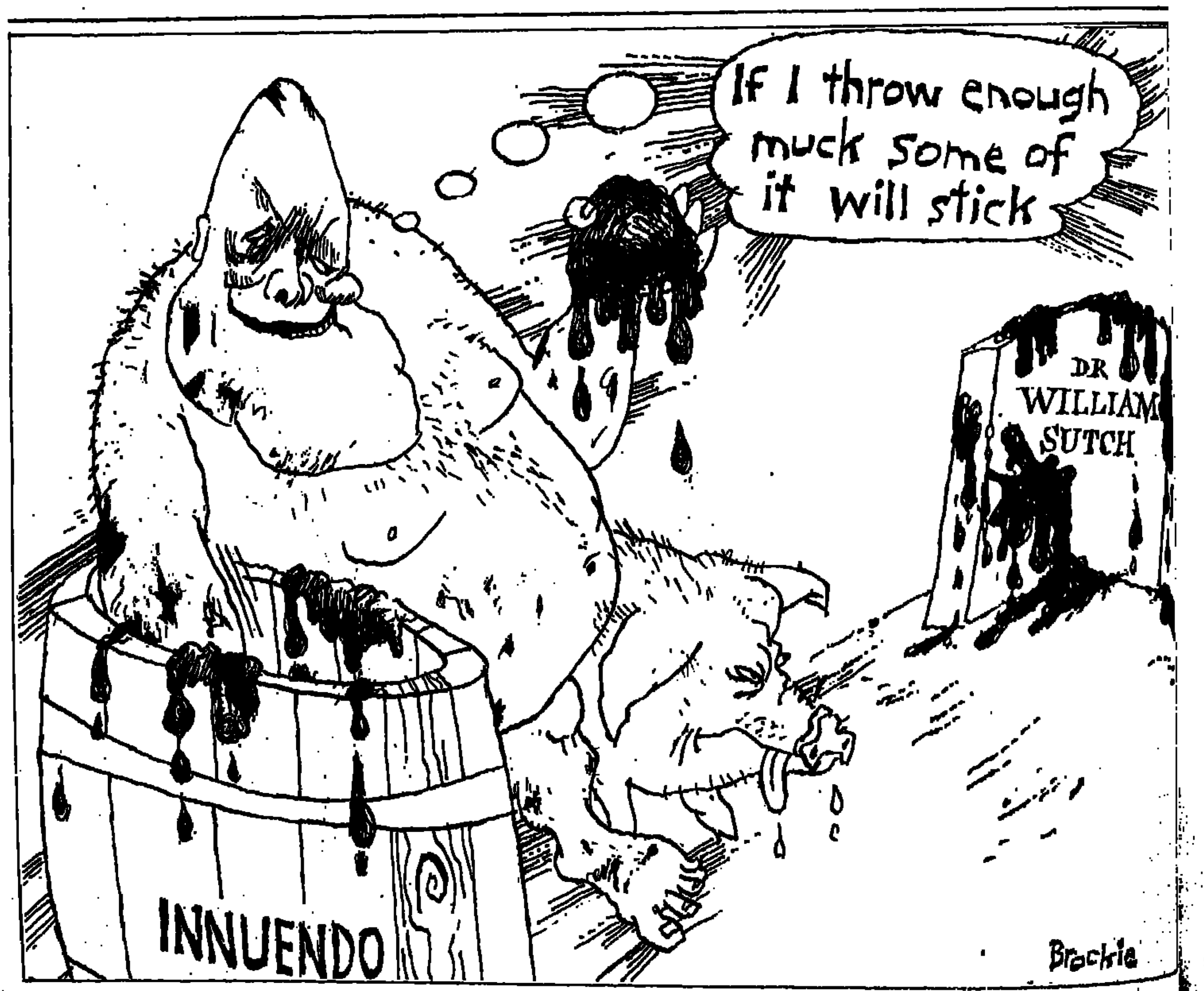
Birkenhead party sources say sales — sorry distribution — is going well. So well, indeed, that they might complement the range with a "filthy capitalist gin" and an "SUP vodka" in time to catch the thirsty at the National Party Dominion Conference in Auckland.

Pride campaign hits a staff problem

THE trouble with Internal Affairs Under-secretary Ken Comber's "pride in New Zealand" campaign is that he didn't tell us where to stick it. The flag, we mean.

Waving flags might be a great idea, but one recent gathering of interested parties lamented the daunting fact that flag staffs are expensive. Still, the always-prepared Boy Scouts' representative had an answer and thought the scouting movement could come up with a good supply of metre sticks of manuka.

Brockie's view



Protocol is walloped for six

IF international relations can be compared with a cricket match the Papua New Guinea's Prime Minister Michael Somare became the 12th man last week.

Somare is the leader of a country which is New Zealand's biggest supplier of coffee and a rapidly growing buyer of manufactured goods, and Foreign Affairs thought he rated a warm airport welcome from Prime Minister Muldoon.

But it seems our PM had more important matters of state in mind. His cricket XI, with West Indian test skipper Clive Lloyd and fast bowler Joel Garnet to give it the winning edge, was due to do combat with the Mayor of Wellington's team.

Cricket fan Lance Adams-Schnieder was delegated to meet Somare.

Where Britain goes we go

AFGHAN, Afghani or Afghanistan? It was puzzling our diligent production editor when he set out to find the correct adjective to designate the soldiers of that troubled country.

He phoned what should be at least a usually reliable source — Foreign Affairs.

An obliging receptionist connected him to the desk office for Africa. No, the official there couldn't be sure. Afghanistan was the concern of the European division.

More clicks and clunks and contact was made with Europe.

"I wouldn't want to commit myself," the voice said. "The person you need is not here but I'll transfer you to someone who might be able to help."

A bewildered operator eventually made the connection.

A direct answer was not forthcoming. But the official decided the solution lay in how the British adjectivise Afghanistan. Afghan.

And so another momentous Government decision was made by following a solid overseas precedent.

Rising costs and bridging finance

WANT to know what happens when you have double-figure inflation? The Prime Minister, of all people, let some disquieting data out into the open at the opening of the Toetoe Stream Bridge which represents completion of the final stage of the Toetoe-Mangaweka Reconstruction on State Highway 1.

In 1971, the work was estimated to cost [illegible] million. On present-day values, "this is equivalent to $7.5 million," said the Prime Minister.

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Comment

Personal viewpoint

by Roderic Alley

RECENT developments in New Zealand could readily excuse a cynic concluding foreign policy is largely the pursuit of domestic politics by other means. As Moscow puts Afghanistan through its rack and wringer, so too does the Muldoon Government squeeze every inch from the invasion to yardarm opponents, sideline opinion, and posture with blimpmanship. After all, if it can work wonders for the likes of Jimmy Carter, then surely it should work here.

An inkling that the Government had its measure of the invasion was apparent when the matter was simply allowed to slumber for more than three weeks pending the year's first Cabinet. The initial responses — of a somewhat grey, muddling and bureaucratic pedigree — were soon blotted out by an eruption of that political donnybrook whose best parallel is possibly the rugby commentator's cry: "It's all on me now". Hence the boot into Sofinsky, some gouges at the likes of Rob Campbell, the Sutch rake-over, and some head-butting at such established news media as the *New Zealand Herald*. Who dare claim now that public servants, not politicians, direct our foreign policy?

For the Prime Minister leading the pack, this is all good grist to the mill for a caucus desperately anxious to have something for scapegoat for the Government's many problems. It seems 1980 *Hansard* reporters had best get accustomed to an endless litany from the Government benches intoning: "Moscow-dominated SUP unionists wrecking our economic recovery".

Immediately, we should hasten to add, the Government was far from alone in turning the Afghanistan invasion on its head for domestic purposes. The few old Stalinist pets who comprise the Socialist Unity Party, and who are incapable of distinguishing revolutionary socialism from the back loo at 57 Messines Road, were solely concerned to mutter the right incantations that might somehow keep their tiny brethren intact.

The Federation of Labour executive adopted a condemnation of the Soviet intervention which reasserted the hierarchy within the union movement, cleaned house ostentatiously enough, and left the Government few real openings to exploit in coming wage battles.

For Bill Rowling, the Soviet intervention was skewered and turning on a spit labelled "Election 1981". One can only guess as to whether the importance he attached to rapidly assuming a posture of toughness and resolution towards the Soviet Union would have been quite so nimble if Muldoon simply did not exist as Prime Minister

Within the Labour camp, perhaps one of the few voices to more calmly address the problem — correctly, so it happens, as an issue of foreign policy — was Labour president Jim Anderton. Simply, he claimed New Zealand has objectives, both now and well beyond 1981, that are not served by supporting the military intervention by major powers into the affairs of other states.

Hardly novel or original, such observations by public figures stressing the international dimensions affecting New Zealand's needs or relationships, and occasioned by these major South-west Asian political and strategic earthquakes, were remarkable for their absence. Or were they?

One of the sombre lessons about Afghanistan has been the way it has displayed to New Zealanders the painfully bankrupt capacity of their public figures to actually debate a foreign policy issue of such importance. To debate it, that is, in any other than the debased coinage of local vituperation, blinkered ideology, and electoral cost-benefit analysis.

In this climate, as arid as an Afghan desert, is it any wonder the expelled Sofinsky thought the SUP well worth a punt or two?

Only when our own politicians start taking the trouble to conduct something more seemly, intelligible, and informed in their exchanges over foreign policy, will the SUP and its nonsense over Afghanistan find its own level of disregard and cease paying a dividend to its sponsors.

Roderic Alley is a political scientist at Victoria University.

In defence of a self-confessed counter-puncher

by Ben O'Connor

CALL it direct, abrasive or blunt leadership. New Zealand has a Prime Minister who says what he thinks.

This is anathema to some, refreshing to others, particularly those used to the indirect or circumlocutionary utterances of politicians in a place like Britain.

It does have connotations. It produces bruised egos, genuinely outraged reactions, and a not small measure of satisfaction. For Muldoon himself it means that greater than life-size importance is attributed to his most forthright utterances.

Others get away with snide comments, but not Muldoon. Probably no politician in New Zealand's history has been subjected to such concentrated attack.

Opponents tend to believe the worst. They claim confidently that his leadership is authoritarian, with political colleagues wallowing in the wake. But caucus reports suggest that this is anything but the case — indeed, caucus committees have considerable power.

At the same time to others Muldoon, at the apex, exudes a strong leadership that the ordinary bloke he likes to talk about, finds appealing. Muldoon's communion with the common man is deeper than opponents accept.

Muldoon often articulates the feelings of a lot of silent, undemonstrative New Zealanders, suffering under a surfeit of pontifications, whether through the media, the university the education field, the unions and the industrial field generally, or other sectors.

They feel uneasy and somehow sense that some of the stuff is not the way they want it, but they haven't the verbal or literary skills to rebut it. Muldoon does the job for them.

These people feel that Muldoon thumps a number of people who have seldom been crossed in the past. Reputations mean nothing to Muldoon, unless backed by prepared argument. He does his homework where possible, and expects others to do the same.

Politically this is good leadership. It gives Muldoon a strong underpinning of support to many New Zealanders and today appeals more than the fast footwork, all-things-to-all-men style of leadership, or even the consensus style.

Muldoon is a self-confessed counter-puncher. Most of his famous reactions have come when he has been provoked. But possibly there is some likeness to a former New Zealand heavyweight boxing champion Don Mullett, who use to find difficulty in getting sparring partners because he hadn't the technique of pulling a punch.

On the recent SUP and Russian Ambassador issues, Muldoon was well ahead. But his famous Manila remark, granted there were unusual circumstances, even to some more avid supporters was too blunt and definitive.

But here again was Muldoon saying what he thought?

The blunt style has not affected New Zealand's overseas standing to any discernible degree. The Carter peanuts reference can be interpreted in more than one way, and was apparently not intended to be an attack at all, but a statement of reality.

Australian Prime Minister, Malcolm Fraser, would not call on Muldoon on his way back from the United States from seeing President Carter if an arms length relationship with Muldoon existed — partly as a result of the Muldoon comment on Fraser's predilection for writing letters.

The men at the IMF and World Bank, and apparently many overseas financiers, who are certainly important to New Zealand, obviously think Muldoon is the goods.

It is Muldoon's relationship with sections of the news media which appears to grate most of all. Perhaps he expects too high a performance but obviously he regards the dissemination and interpretation of news as a mighty important art — apparently more so than he thinks some journalists regard it.

Before any journalist does make a blanket condemnation of Muldoon, it might be well to listen to his able contribution to Radio New Zealand's excellent Sunday afternoon series on the news media.

It could be said that Muldoon has been a good thing for journalism. It has kept people on their toes and underlined the need for solid preparation for an interview. It is interesting that he does not seem to have such difficulty with more experienced media people or vice-versa.

The Muldoon era has also coincided with the era of the committed journalist — the journalist who like those in other callings today, feel they want to have more part of the action, rather than being only a recorder and interpreter of the facts. This is a dangerous area for the inexperienced when they meet a fully prepared spade-calling subject such as Muldoon.

On occasions commentators, publicists, spokesmen from various groups have stuck their heads up, inviting to be hit and complained bitterly when they copped a counter-punch. If Muldoon appears to play the man, rather than the issue it is probably because he at times sees a close connection between the two.

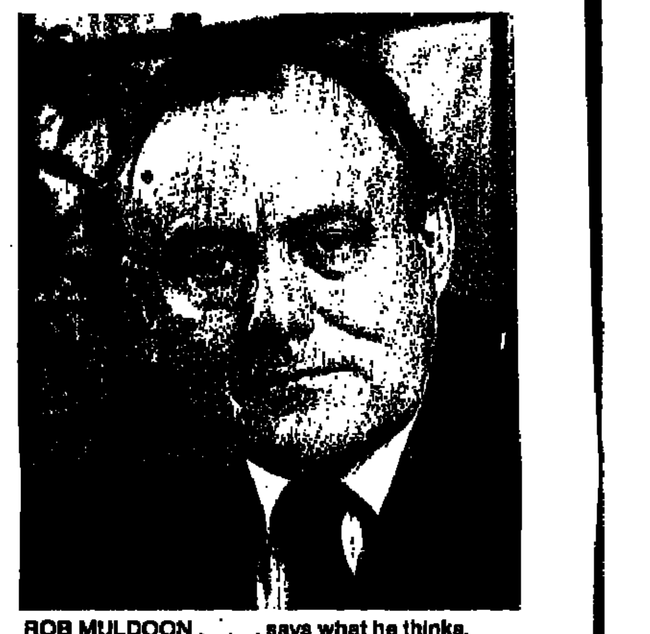
No one will ever agree with all Muldoon says or does. Some say he talks tough and acts soft too often. But a picture can be formed of the man which fits his no nonsense philosophy.

Maybe it is easier for those of us who have a generally high regard for New Zealand politicians to comprehend the Muldoon approach. His Depression experience obviously had a deep effect on him.

The Editor of the London *Economist* smilingly and with some hyperbole in a talk in Wellington, referred to Muldoon as a Socialist in Conservative clothing.

Some of his supporters would like to see a greater flexibility. But there is no doubt that his willingness to demand just about the same from those normally considered his supporters as opponents, makes for a measure of confidence as well as an engaging uncertainty.

Muldoon has been accused of lacking vision, or the ability to unite or inspire. Maybe critics should look more closely at his recent Orewa Rotary Club speech, which incidentally has, through no pushing on his part, become incorrectly something akin to a State of the Nation address.



ROB MULDOON . . . says what he thinks.

Muldoon is a greater pragmatist than idealist. He figures that a prosperous future demands a sound economic base.

A recent radio comment bestowing the odd bonquet on Muldoon brought a deeply sincere tribute from one who had been closely associated with the Muldoon family household. At least someone was willing to realise his qualities, was the reaction.

If Muldoon could project his homely domestic image to the political stage, maybe much of the criticism would cease. But would it affect his leadership impact?

Letters

Saturday shopping

I WAS astounded to read the thoroughly ill-informed article published in your issue of January 21 regarding Saturday trading.

Your paper has built up a reputation for reasonably objective reporting, but Warren Berrymen's article threatens in one blow to disturb this reputation, and cannot help but wonder if it was influenced by the editorial in the same issue.

Your paper's editorial opinions are one thing, direct factual inaccuracies are another.

Any objective assessment of retailing in Queen Street on the Saturday immediately preceeding your issue showed that less than half your estimate of 100 retail outlets were open.

Before reporting Mr Morgan's views on the likelihood of applications being granted by the Shop Trading Hours Commission, your journalist could have conducted a simple check which would have shown that nearly all commission decisions are unanimous (not two votes to one) and that the vast majority of applications to the commission are granted. This information was readily available from the Annual Report of the Labour Department.

There is absolutely no evidence, and a simple use of the recent Dobbs Wiggins analysis would have revealed this, for the statement that "tens of thousands of Aucklanders flocked to the central city to shop." The most successful Saturday involved nothing like that number of shoppers.

I was interested to learn from Mr Berryman that "inner city traders had been losing business to suburban shops", and perhaps your newspaper could enlighten the public who are interested in this matter as to the evidence on which this comment is based.

Perhaps if in future Mr Berryman wishes to write puff publicity pieces for the Saturday traders, you could identify them as advertising copy.

Rob Campbell
Industrial Officer
Shop Employees' Industrial Association of Workers

MR Berryman didn't count them, but remains certain that there were tens of thousands of shoppers at the height of the rebellion, specially on the Saturday before Christmas. Ken Morgan, of the International Market, estimated there were more than 20,000 shoppers in the city that Saturday morning, and said there were at least 50 per cent more people in the Queen Street area than on a good Friday shopping night.

Regarding the commission's decisions Mr Berryman phoned the chairman of the commission who declined to comment on the decision-making procedure. Thus he relied on information provided by people who had applied for exemptions and on past published commission decisions. – Editor.

Armed neutrality

I WOULD like to correct one important point in John Draper's article (*NBR* November 19) on the Commission for the Future's booklet on International Relations.

In no way is armed neutrality dismissed because of its inflexibility as an alternative to continued alliance. It is simply that to allow such a stance to work to its full advantage, (avoidance of involvement in a nuclear war for which we have no defence or deterrent, full control over our maritime area, the ability to act with an unbiased voice in world affairs) it is necessary to promote such an intention as a long term commitment internationally, as Switzerland and Sweden have done.

To allow oneself the dubious luxury of taking sides when it suited would be to practice a policy of non-alignment when not allied. Inflexibility is, therefore, a necessary condition for neutrality.

R F Ryan
Commission for the Future

We apologise for the delay in publishing this letter which was mislaid in our office – Editor.

No jumping the fence

A SMALL correction to G V Butterworth's interesting analysis of the Rata resignation.

Mr Butterworth reads far too much into "perhaps the most significant resignation of all . . . ". I would not want to detract in any way from my friend Dennis Hansen's motives in embracing the Rata cause, but it should be pointed out for the sake of the record that:

(1) I can find no record of Mr Hansen actually being a financial member of the Party at the time; and

(2) There were no vacancies, actual or impending, in either Electorate or Branch Committees of the National Party's Northern Maori organisation. Thus there was no such thing as a "chairman-elect".

What Dennis said at the time was that, *a year prior to these events* some members of the Party had asked him to accept nomination to the Electorate chair following the untimely death of Mat Te Hau. The misinterpretation was apparently caused by a reporter who didn't understand the time that had elapsed.

Dennis Hansen's defection to the Mana Motuhake cause has, to my knowledge, triggered no other supporter to jump the fence.

J N Tremewan,
Divisional Secretary
New Zealand National Party
Auckland

Cathay Pacific

I WOULD like to comment on your report headed "Cathay Undaunted" in *NBR* of December 3 1979.

You note that Air New Zealand flies twice weekly to Hong Kong and go on to say that "they refuse to allow Cathay into Auckland in return unless British Airways is prepared to withdraw its twice weekly flights in exchange".

Of course, the British Airways twice-weekly service out of Auckland flies to London via Melbourne, Perth and Bombay. They have no New Zealand/Hong Kong service.

Consequently, Air New Zealand, with a monopoly on the Hong Kong route, is unlikely to look with favour at an airline, particularly one as competitively aggressive as Cathay, muscling in.

The result is that, compared particularly with the Auckland Los Angeles services, fares to Hong Kong are extremely high and services infrequent. Hence, market growth and service to the travelling public is, to say the least, stunted.

Your readers may see in the following figures of sector mileages and minimum available fares, a practical demonstration between competition and monopoly.

AUCKLAND/
HONG KONG

Sector miles, 5687; minimum return fares, NZ$1137.00

AUCKLAND/
LOS ANGELES:

Sector miles, 6517; minimum return fares, NZ$491.00

B Bradford
Travel Brokers Ltd
Wellington

Politics

No fun for Labour in a Rata by-election

by Colin James

THE Prime Minister's latest attack of red-herringitis has produced its usual indignant cries from the wounded and from the friends and relatives of the wounded, and grim gloating from the small-minded.

Watching the Prime Minister in the throes of one of his attacks calls to mind the days when lions were fed to the Christians to take Romans' minds off the state of the sewage system in summer.

All attention focusses on the Prime Minister and his victim while the real issue – if there is one – goes unattended.

So frequently does the Prime Minister play the man rather than the ball that it jars when he passes up the opportunity.

Mat Rata, for instance, has recently been spared the lash.

Rata did not always get off lightly. In 1978, he was called some nasty names by the Prime Minister over the Bastion Point land issue.

But Rata is no longer a good laugh – the "reads comics" buffoon. He is serious politics.

His severance from the Labour Party had strategists in both main parties poring over their vote counters and crystal balls.

His move opened the cupboard in which the Maori votes had lain, locked up, undisturbed and gathering dust, for 40 years.

The rising dust tickled the Prime Minister's sensitive political sinuses. He saw a chance of political gain for National and responded with skill. Instead of cackling at his opponents' misfortune and thereby risking frightening off his quarry, he has been uncharacteristically low-key.

Labour has been low-key, too, saying and doing little in public.

Care was taken not to offend Rata after his resignation in the hope that he and his supporters might return and everything could go on as before (though each renewed reconciliation offer has made Rata more determined).

The other three MPs pledged loyalty. Some spadework was done in Eastern Maori.

In Northern Maori, soundings have been taken of elders and potential candidates.

By the end of January, there was some reason for the party to hope that one way or another the Northern Maori vote could be restored to Labour. (Labour got 71 per cent of the poll in 1978).

The initial apparent surge of support for Rata throughout the north had receded somewhat.

A common complaint was that he should have gone back to the maraes to discuss his intention to leave the party.

A Maori MP is more than someone who just happened to get the votes.

Maoris, or at least the elders and those influenced by the elders, tend to look on their MPs as their representative, given a sacred and important task.

In general electorates MPs may be discarded without ceremony or second thoughts as representative of parties and only incidentally representative of the people. But it is a more serious matter in the Maori electorates.

Similarly, while general electorates can tolerate a suddenly independent MP as an accident of the system, Maoris seem to find such a fundamental change in their relationship with the MP less easy to accommodate.

Thus, some of Rata's early apparent support was a continuation of the relationship which had gone before, rather than a break with the Labour Party as such. It did not necessarily imply voting support for Rata in a contest with Labour.

This posed a problem apiece for Rata and the party. Rata might find his "support" chimerical when put to the test. The Labour Party would find it difficult to set up a structure through which to select and support a candidate.

But it also offered an opportunity for the Labour Party:

- To adjust its policies to reflect the dissatisfactions and aspirations articulated by Rata and broadly supported by most Maoris;
- And thereafter either absorb Rata and his movement, which is Labour-leaning on other than Maori issues, or outflank him.

Then last week Rata gave warning of the removal of an important prop to that pretty scene – time. At Kotahitanga marae at Kaikohe, after criticism by two influential elders, he said:

"If there is dissatisfaction, then I should stand down and go to a by-election . . . The decision must by yours . . . I have no wish to inhibit the progress of the people I have served for 16 years . . .

"It seems the only way is to go to a by-election. I will undertake to do exactly this as soon as I return to Auckland" (after this column went to press).

There would be a strong temptation to the Labour Party not to contest a by-election. In that case a Rata win, while it would regularise his position as parliamentary representative in Maori eyes, would not resolve whether he or the party commanded the votes.

The party would not have to decide hastily whether to challenge him – and it would have time to produce new policies (which, ironically, were in Rata's charge until 1978).

Furthermore, Rata might prove easier to defeat in a general election, when national issues might intrude, than in a by-election on the single issue of his stance.

There are two reasons, however, why the temptation might have to be resisted.

One is that Rata may be able to win Labour support, which even a losing Labour by-election candidate might encourage to hold firm. And, of course, if Labour sensed victory, it would be unwise not to go for it.

The other reason is that while loyalty to Koro Wetere in Western Maori and Whetu Tirikatene-Sullivan in Southern Maori virtually ensures those seats will stay Labour, the same could not be said if, as expected, Brown Rewiti departs in 1981 and opens up the possibility of an undermining of the Labour vote in Eastern Maori.

On the other hand, to contest and lose a by-election would probably settle the party's hash in Northern Maori for as long as Rata was around and maybe would undermine Labour support in the other Maori electorates.

Some Maoris – not radicals – to whom I spoke last week think it would also have a flow-on effect on the Maori Labour vote in general electorates, with unhappy results for Labour in marginal seats.

Assessing Rata's support is not easy.

His record as an MP, as perceived by his voters, will count against him. Frequently throughout the north I heard people say: "The only time we saw him was at elections," and complain that he had not done enough.

Mat Rata . . . spared the lash.

But this issue is much greater than one of personalities. It is one of whether to make a major break with a tradition going back 40 years – and perhaps 100 years.

A few of the more conservative elders are content to extol the benefits the pakehas brought with them: better health, education, a higher standard of living and an end to intertribal wars.

But there is widespread agreement, which includes what one might expect to be conservative elements, that there have been substantial disbenefits – the loss of the land, the near-loss of the language and arts and crafts, the prolonged attempt up to the mid-1970s to "integrate" the Maori into the pakeha system.

During the past five years a new mood of assertion of Maori values and the need to preserve Maori culture, language and the land has emerged

Rata, it is clear from my conversations of the past week, is giving expression to a frustration – even an anger – which will not be assuaged with more houses or scholarships or Maori Affairs Department handouts.

There are widespread misgivings about some of the methods Rata proposes – particularly his apparent espousal of radical tactics like boycotts (of Waitangi Day, for instance).

But these misgivings may be submerged in a feeling that what Rata offers is an opportunity Maoris cannot afford to pass up to present a new Maori face to the establishment.

All this concerns the Maoriness of the Maori voter. The party is banking on the urban proletarian Maori voting Labour for class reasons, rather than those of race.

If the party is right, whatever response Rata gets from the depleted countryside and the intellectuals, liberals and radicals will be overwhelmed by the Auckland city working class inaori.

As for the National Party, immediate gains seem unlikely. My best information is that it is likely to be advised to lie low – except to contest the election in order to split the conservative rural vote, should labour take Rata on.

Those Maoris who vote National seem by and large to have gone to the general electorates. National was third in two Maori electorates in 1978, including Northern Maori.

If there is hope for National it is the negative one of Labour perhaps being denied a governing parliamentary majority because it loses the automatic Maori vote. Six of its 17 years of power have depended on loyal Maori voters send in four recruits for lobby fodder.

A sobering thought and one which would make a by-election, if there is one, more than usually fascinating.

The economy

Volatile gold price sets Socred screaming

Economics Correspondent

ROCKETING gold prices are evidence that the monetary system is going mad, says Les Hunter, Social Credit's economic affairs spokesman.

Hunter predicts that the volatile gold price is causing a monetary collapse that will result in massive unrest and social disintegration. Showing his concern for the world's hungry, he said: "You cannot eat a bar of gold".

According to him, speculators are investing their money in gold because they believe that money would not hold its buying power.

And that's not the worst of it. The gold craze has brought out the greed in people. Old mines have been reopened. In Doncaster, England, a would-be robber raided a village churchyard, digging up the bodies of a man and two young children, apparently searching for gold rings and jewellery.

But gold has very little to do with money. By themselves, fluctuating gold prices would be extremely unlikely to lead to a monetary collapse.

The flight to gold reflects a *mistrust of paper currencies.* But those who put their trust in gold are bound to be disappointed.

Investing in gold is very much a speculative venture, as investors in Mineral Resources (a company listed on the New Zealand Stock Exchange) learned to its peril last month.

Mineral Resources mines gold. In one week last month when the price of gold rocketed a share of Mineral Resources stock rose rapidly from 50 to 80 cents.

But the stock fell right back to 35 cents a share in the same week, reflecting a fallback in the price of an ounce of gold from above \$800 to below \$650.

Shareholders who had paid 80 cents a share found out the hard way that gold does not hold its buying power as well as money. They may have to wait awhile to recoup their investment.

For something to be used as money, it must maintain a fairly stable value so that it can be used as a unit of account.

Gold maintained a stable value only when it was supported by the American Government with some international co-operation.

On its own, gold is not a stable source of value. Its price does not reflect directly the supply and demand of gold. Changes in the international situation can result in a change in the price of gold.

Last month, gold surged by \$60 in value in one afternoon at New York after a report that Soviet troops were fighting with Afghan army units. The price of gold jumped \$70 another afternoon in reaction to news that the United State's trade deficit was larger than expected in December.

As the events on the international political scene simmer down, trading in gold has become much quieter.

Some like to recall nostalgically the times when the world was on the gold standard. Gold was regarded as the international money not so many years ago.

Nevertheless, it is silver, rather than gold, which has been the chief monetary metal through most of human history.

The world did not come near to a universal gold standard until 1879, when the United States redeemed its paper money in gold after the Civil War. Thirty-five years later, World War I saw the temporary disruption to the gold standard. It was shattered again during the Depression in 1931.

In 1971, President Nixon took the United States off the gold standard. From August 15 that year, the United States Government would no longer redeem its outstanding dollars with gold.

A holder of dollar reserves could convert these into gold only by buying the metal on the open market. The price of gold has risen rapidly since 1971, pushing near \$900 an ounce earlier this year.

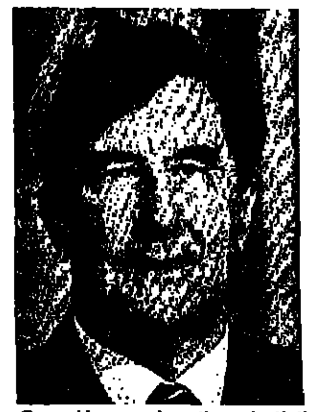
Under the gold standard, the value of an ounce of gold was kept at US\$35. Governments maintained this relationship by buying and selling gold at stated prices.

The international gold standard was theoretically an automatic adjustment mechanism that would reverse any gold flow.

It was supposed to work like this. A balance of payments deficit would be covered by gold movements or the movement of currencies tied to gold.

When gold left a country, *that country's stock of cash* assets (the monetary base) was reduced.

Les Hunter . . . "you cannot eat gold".



Owen Horwood . . . tips windfall budget.

Paul Volcker . . . close co-operation with Europe.

A shrinkage in the monetary base was expected to deflate (lower the relative value of) prices and wages in the country losing gold.

The result would be a shift in the relative costs of production because goods and factors of production available domestically would become comparatively cheaper to any imported items.

This shift would induce the deficit country to expand its exports and reduce its imports. And, eventually the balance of payments deficit would reduce or become a surplus.

The outward gold flow to cover the deficit would stop.

It sounds nice in theory. But this classical explanation of the adjustment process does not work in practice.

First, it requires that the country losing gold permit and reinforce the shrinkage of the monetary base implied by the gold loss.

Few countries actually obey these rules of the game. Most countries use deficit financing to balance out reserve losses.

Second, while a country could suddenly find itself with a rapidly growing balance of payments deficit, it takes a long time for wages and prices to deflate enough to compensate for the amount of gold reserves exported.

Experience on the gold standard showed that prices were not sufficiently flexible in industrial countries to permit a speedy adjustment and also to maintain full employment when there was a decline in gold reserves.

And increases in gold reserves tended to be treated as current income. Instead of setting enough aside for a rainy day, countries tended to fritter their reserves away.

South Africa provides a *recent example of this sort of* behaviour. Gold earnings, soaring because of the dramatic rise in world gold prices place South Africa on a par with one of the smaller Opec nations. Except South Africa is gold rich rather than oil rich.

South Africa already has plans for spending its windfall gain from gold price increases.

The South African Finance Minister, Owen Horwood, probably will cut personal and company taxes while increasing pensions and child allowances. South Africa can also afford to treat its blacks more generously.

Chances are that Horwood's March budget will *include projects to help the* blacks such as education, training and housing. Wages of black miners will be reviewed in mid-year with strong pressure for large increases expected.

South Africa is not the only country to experience new wealth from the increased gold price. The massive run-up in bullion prices has vastly increased the wealth of national treasuries at home and abroad.

It has come at the right time to help countries with their soaring oil bills.

But if countries are not careful in the use of this money — if it goes into incomes rather than production — the result could be a burst of global inflation.

The combination of oil and gold price rises are expected to continue to fuel inflation and currency depreciation in the foreseeable future.

But it is too simple to argue that these price rises are symptoms of disarray in the world monetary system. Many currencies have remained resilient.

Even the United States dollar, whose value has traditionally tumbled with virtually every upward turn in the gold price spiral, has held in recent weeks.

This probably reflects the comparatively low rate of inflation in the United States (at 13 per cent still below the rate in most other industrialised countries); and the close co-operation between the Federal Reserve Bank (the United States central bank) and European central banks acting to halt a sharp decline in the dollar's value.

Latest policy to control the money supply initiated by Federal Reserve Board chairman Paul Volcker, may lead to greater monetary stability in the United States. Going back onto a gold standard is certainly unlikely to create monetary stability. The gold standard requires a discipline by the international economy which cannot be enforced.

When the economic environment is stable and prices are changing slowly, the gold standard is self-reinforcing.

But with today's high inflation, high internal budget deficits and large balance of payments disequilibriums, it would be almost impossible to impose a gold standard.

On the gold standard, countries with large balance of payments deficits would suffer more severe recessions than under the present system.

Gold madness is not an illness which can be independently treated. Nor is monetary instability. Both are symptoms of economic and political disease.

As long as policy makers avoid taking steps to deal with their domestic unemployment and inflation, most countries are going to be more vulnerable to world upset whatever the cause.

Ecological shot fired across bow

ENVIRONMENTAL planning procedures, invoked at the bequest of the Auckland Harbour Board, are adding further delays to the construction of a new Navy wharf at Devonport.

The Navy's Calliope wharf has been slated for renewal since 1963.

Now the wharf is in such a tumbledown state it has to be virtually useless. Half of it has been deemed unsafe and can't be used.

Water depth alongside is a mere 26 feet at high tide — barely sufficient for the Navy's frigates and often insufficient for visiting warships.

The Ministry of Works was given the job of designing the new wharf and supervising its construction by private contractors.

It will be the first Auckland wharf built by the ministry. The rest have been built by the harbour board.

The MOW has been trying to get off the ground for years. When first mooted in 1963, the cost would have been about \$2 million.

But the Government did not have the money to spare.

Now the cost is estimated at \$8 million.

Bowing to pressure from the harbour board, the Ministry of Works must prepare an environmental impact report which will go to the Commission for the Environment for audit. Delays are expected.

In the meantime, visiting warships will have to use the harbour board's commercial wharves across the harbour as they have done in the past — including nuclear submarines.

The shallow water problem at the old wharf apparently can't be solved by dredging. MOW engineers say the area has already been over-dredged beyond the wharf's design depth.

So MOW plans call for a new wharf 300 ft longer than the old one, jutting into deep water and in the direction of the harbour board's container terminal near the harbour entrance.

The question of berthing nuclear ships at the Devonport wharf has come up in environmental circles.

A Navy spokesman said nuclear subs needed at least 35 feet of water and the 26 feet at the present wharf was too shallow.

MOW sources said the question of berthing nuclear subs at the new Navy wharf did not even arise, because existing safety regulations did not permit this.

Apart from the Navy, which is anxious to berth frigates on its own doorstep, the losers for the delay are private contractors.

Profile

Entrepreneur leap-frogs Wellington restorations

by Ann Taylor

MARKETING firstly to himself, Wellington property developer and restauranter, Neil Harrop has met success in personal and financial terms.

Wellington's urban living scene has received a face lift from a man who insists he knows what he wants, believes in it and does it.

His restoration and sale of eight Wellington properties have catalysed a new approach to inner city development and his restaurant sets a precedent for local, community eating places.

An entrepreneur in a city of public servants, he hasn't put a foot wrong. Working half the year and ski-ing the other, his assets are worth $400,000.

Harrop churns out the cliches we seem to have forgotten: "It's a great little country, the best in the world, with so many opportunities for developing ideas."

He retains some colonial optimism: "What I do is essentially positive. I don't think I'm ripping anyone off, and enjoy feeling part of things moving ahead in Wellington."

Born in Wellington, 1943, he quit being a "tech rough" at 15 and completed an electrician's apprenticeship with the Wellington Hospital Board.

At 21, like all recently qualified antipodeans, he took to the world. Four years in the United States working as an illustrator (during the old-buildings-on-table mats boom), restoring vintage cars and assimilating ideas, inspired his "it can be done, just a question of how" philosophy.

Back in New Zealand he started dealing antiques — when you could buy brass and copper by the hundred weight from scrap metal dealers. One step ahead of New Zealand in his exploits he exported to the United States for a while.

"Splendiferous", initially a $5 a week rent shop in central Wellington became a major outlet for brass and copper as New Zealanders caught on to the trend.

As his business and credibility increased, takings and reinvestments were transferred from his back pocket to cheque books and accountants. "I knew what a $10 bill looked like and that was about it. Balance sheets still escape me."

He bought his first Thorndon properties, in central Wellington, in 1972 and restored the two houses in the manner he had seen in Charleston, South Carolina – a return to the original but with all the conveniences of the 1970s.

Building equity against the property he bought for $7000, it now has a $25,000 mortgage.

Two more Thorndon properties received the Harrop treatment – "all you have to do is do it properly".

The value of the properties greatly increased after restoration – a cottage he bought in 1973 for $12,000 and spent $9,000 restoring was sold a year later for $46,000.

Neil Harrop . . . catalyst to inner city development.

Harrop searches out titles for empty houses, makes an offer, keeping his purchase price low and raises mortgage finance against his equity and increasing reputation.

Looking further afield, and taking direction from city council historical zoning impetus he bought and restored the building that is now a seven-day, community-based, whole food restaurant.

The Mount Cook Cafe, with a staff of 25, turns over $250,000 a year.

The cafe, designed to relate as a social nucleus for the area after which it is named, is well patronised by the local population of polytechnic students, young professionals and Wellingtonians getting out of the city for lunch or dinner.

Harrop has clear ideas about prices, quality and style, but has been greatly helped in the management, and day-to-day running by Lesley Barley his former wife.

He would like to have the highest paid staff in town "because then they'd be tops", and operates a bonus system to maintain enthusiasm on a busy night.

The cafe attracts staff who are convinced about the concept, the whole food "thing" and the good spirit. Not wanting to acknowledge the owner/staff plateaus, Harrop likes to think he has a common concern and interest with his staff.

Harrop saw the cafe as something special and did not care if it ran at a loss for the first year "as long as it achieved what it set out to". In fact it broke even for the first three months and has been pulling ahead ever since.

"If you're buying a property to achieve a social purpose, then you have responsibilities to the people around," says Harrop, whose cafe opens for breakfast seven days a week, has no booking system and a low-cost menu.

The "New Zealand style" —about which Harrop laments a general lack of pride — is evidently preserved in the cafe. Colonial architecture sets off the kauri timber, bricked floors and bentwood chairs to their best.

Harrop has restored two buildings in the vicinity of the cafe and owns several others.

Being into food and housing — basics in everyones lives — provides Harrop with cost deductible essentials.

"It doesn't pay to make too much money in New Zealand. You have to constantly look at the tax situation . . . It's silly not to anticipate being called to account by the tax department."

He is able to write off telephone, maintenance, vehicles and property against the businesses which also provide his lifestyle.

Harrop has never been in partnership, not wanting to divide control of his endeavours or assets. He can see no real advantages to forming a company.

He believes strength springs from the individual and from a "build surely build slowly" attitude, he is now "leap-frogging over things I never thought I'd be able to take on."

The future: "Some of the things I think are good ideas are out of my range, like "an-on-the-snow" resort — the tourist potential is fantastic."

More within his reach are projects like Wellington's cable car restaurant — the Skyline, which is being offered by the City Council for re-development.

Some people may envy the man his success, but in his own words: "Maybe I'm just the right person playing the right cards at the right time."

Born into a favoured pre-post-war baby boom generation, he has the edge on the majority of his customers who are five years his junior.

An attempt to provide a fully-serviced house and courier to companies expecting overseas visitors was five years ahead of its time. He wrote to hundreds of companies but they remained convinced that JB would like to stay in a hotel. He now gets calls all the time — but has moved into the house.

Provincial airlines pool promotion

by John Draper

AIR United will take to the air and television screen later this month to challenge Air New Zealand's apparent monopoly on domestic services.

As the national carrier's rapidly rising fares deter provincial passengers, businessman particularly will be wooed to fly the "United way" on a network now operated by James Aviation, Eagle Airways and Air Central.

Cheaper fares will not be the attraction but the possibility of a commuter service to many provincial towns will be.

The three third-level operators are pooling their resources, to rationalise services, *maintainence administration* and aircraft use on a network stretching from Nelson and Blenheim in the South Island though to Auckland, though there will be no formal association in the initial stages.

Palmerston North will become the hub of the network. All three operators will reschedule services to link there at least once daily.

James Aviation manager Tony Wright said Air United primarily would be a marketing concept, the combined resources being big enough to support television advertising and more promotion work.

Air New Zealand will continue to handle most ticketing for Air United, but Wright said that services may not be timed to connect with the national carrier's network.

"We have tried that before without success," he said.

Eagle Airways managing director Malcolm Campbell expects Air United to develop quickly beyond a marketing concept with administration and maintenance centralised in Hamilton.

Eagle will taking delivery of a 20-seat Banderante in May for services between Hamilton, Auckland and Palmerston North and Campbell is thinking of ordering a second.

The third or fourth are already in mind, to be bought once the consortium is established, but probably not by Eagle alone.

And as Air United takes off, the Ministry of Transport is plodding through a review of domestic aviation policy and *air service licensing*.

Initially the review intended reallocating loss-making Air New Zealand services to provincial centres — often there are only four passengers each way on a 48-seat Friendship going to Gisborne — to willing third-level operators,

studies doubted that other operators could run the services any more economically.

Politics are further inhibiting rationalisation. Gisborne, particularly, is fighting hard against demotion from the Air New Zealand network.

Quarterly survey: another gloomy showing

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

THE December *Quarterly Survey of Business Opinion*, published by the Institute of Economic Research, is another in the now familiar series of gloomy private sector assessments of the economy.

The surveys are an important barometer of economic activity, because they represent the views and intentions of 442 respondents from the private sector.

Governments may claim that the views are wrong, but actions are based on the businessmen's opinions, particularly as official economic action has built-in time lags before it takes effect.

The survey's "economy-wide" conclusions attract most newspaper publicity, but the significant information is buried in the responses from particular sections.

In the services section, for example, 80 per cent of respondents expect an increase in interest rates in the next 12 months, while 60 per cent of financial service respondents expect deteriorating general business conditions.

These respondents include the people who borrow money from the public, and lend it for investment — hopefully, productive investment.

When they expect interest rates to rise, while general business conditions will deteriorate, we have the start of a downturn in economic activity.

The survey was carried out in December, but the views on finance costs and business conditions were reinforced last week when the stock and station agents warned farmers of tight money conditions during the March tax drawoff.

The pastoral companies' association made public what has been known privately for some months (although perhaps made "public" in *NBR* in the last three months of 1979).

The companies will be under pressure to extend credit to their farmer clients in March. They have indicated that there is a limit to the acceptable level of pressure.

The pressure point will move a step back to the banks, which will need a sizeable relaxation in their reserve asset ratios, plus hefty compensatory deposits from the Reserve Bank, to get through tax time without severe distortion of the money and credit system.

The survey continues the dreary story of the building industry, but there was some improvement in the last three months. That response is difficult to understand when compared with the building statistics for the year to November, which were issued last week.

The Government Statistican reports that 17,100 new dwellings were completed in the November year, compared with 20,500 in the 12 months to November, 1978, while only 15,100 were started in the same period, as against 18,100 in the previous year.

"Other buildings" over the year failed to keep pace with inflation in terms of permit values.

The building and construction respondents to the *Quarterly Survey* may have done reasonably well in the last few months, but there is a "sharp increase" in the proportion expecting business conditions to deteriorate again.

The clothing and footwear industries see trouble ahead. The institute says "output and New Zealand deliveries are reported unchanged with exports generally up, but with a widespread decline in new orders".

Similar "widespread declines" are expected in output and deliveries in the next three months. Inventories have risen, and more than 50 per cent of clothing and footwear respondents report stocks as "too high".

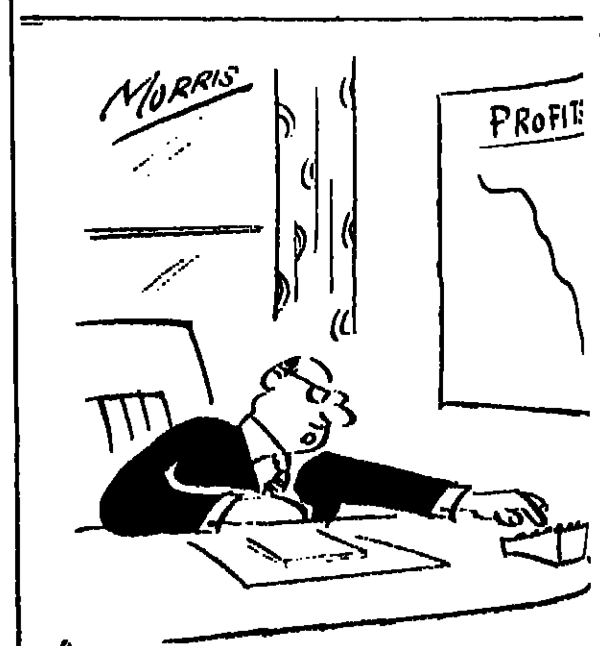
A continuation of that trend will result in profit squeezes, liquidity problems, and some liquidations. The public may benefit as manufacturers, and subsequently retailers, mark goods down substantially to stay liquid and to stay in business.

The institute's economy-wide graph of the expected business situation shows the steepest decline recorded since the December quarter, 1976, in terms of expectations for the next six months.

The export performance is the only bright patch in an otherwise dull economic landscape, but growth in that area is expected to be "widespread" in the next six months.

Assuming that Government and its advisers take note of the survey's conclusions (and they should, since the conclusions reflect the likely current and future actions of private sector decision makers) we may see Economic Miracle Mark [illegible] the next few months (or now up to the Mark [illegible] version?).

Any new, or varied, policies will take time to work through the system, so the outlook is for a static economy in the private non-farm sector for most of 1980.



Miss Duxbury, send in an optimist

Analysing annual accounts: Colyer Watson

COLYER Watson Holdings Ltd has an unusual financial structure, if one uses the criteria normally applied to "industrial" companies.

The relationship between shareholders investment and total liabilities comes into perspective when the company is considered as a commodity trade.

The proprietorship ratio (shareholders funds to total liabilities or assets) was only 16.6 per cent at October 1, 1979, compared with 20.5 per cent in December 1978 (the balance date changed between the two annual reports).

Those figures would sound alarms in most companies, but Colyer Watson trades in commodities. Distortions can occur when the books are closed off at 5pm on a given night.

Solid rises in prices affect the group's asset values. While the change of balance date is another complicating factor for the latest nine months.

The main change was in inventory values. This entry totalled $12,596,753 on October 1, compared with $5,638,119 on the corresponding balance date in the previous year.

"The value of inventory shows substantially higher figures than that recorded in the accounts to December 31, 1978. At this time of the year it is normal to have a carryover of stock from the previous killing season, shipment of which had not been effected at balance date."

Chairman Cliff Pearce refers briefly to the change:

Pearce could have added that rapid price rises for commodities over the period (particularly in hides and leather) account for part of the substantial increase, although prices have since eased.

The inventory value probably dropped considerably since balance date. It can be affected on a day to day basis, depending on the execution of overseas orders, and whether they come within or outside the accounting cut-off point.

Bank overdraft assumed the burden of financing the increased stock value. That item went from $3,773,015 in 1978 to $10,908,046 as at October 1. The stock level effectively secures the overdraft, and shareholders can be comforted by the fact that the company's bankers are happy with the financial structure.

There is little comfort in treatment of the group's "operating profit". Colyer Watson recorded $52.9 million in turnover in the period under review. The corresponding six month figure in the previous year was $26.5 million.

"Group operating profit" is $601,714, as against $237,069 in the previous accounting period, but the result is subject to a note to the accounts.

"No income tax is payable for the current period. The group is entitled to a tax credit refund earned from the export of manufactured goods and this amount is reflected in the group's operating profit."

For "manufactured goods" read semi-processed leather, known in the industry as "wet blue", for the good reason that it is sold in a damp condition, and is coloured blue from the effect of the chrome salts' tanning process.

The company buried the benefits of the tax credit in the accounts, but the prospectus issued in 1978 gives an indication of the gain.

In the six months to June, 1978, the company earned, $132,496 before taxation, plus $29,410 in overprovision for tax. A taxation rebate on export incentives, payable in cash for that period, amounted to $316,686, to give a final "net profit after taxation" of $478,592.

A similar proportionate rebate would have been payable in the six months to December, 1978, when net profit was $273,550.

Prices rose in the nine months to October, 1979, and the tax rebate would have been paid on the system of calculating increased exports in relation to a "base" year.

If the cash rebate were excluded from the accounts, Colyer Watson's operating profit would be nowhere near $601,000. The company may have struggled to break even on the year's trading. The true position is unknown, because the group omits the rebate's dollar value.

The question will become important in future years because all companies will change to the new system of export incentives in 1985.

At that time the export incentive on wet blue leather will rate a "G" incentive, or 1.4 per cent on the job value of the goods.

That will be a lower incentive than the amount applicable under the current system. Any wet blue leather exporter who changes to the "band" incentive before 1983 will "lose" money. After that date they will have no option, unless there is a last minute change to the tax laws.

Colyer Watson should have disclosed the dollar value of the incentive, because the change will distort future accounts for comparative purposes.

Scramble for ANZ share float: don't "stag" it too far

EMOTION is overtaking commonsense in the Australia New Zealand banking group (NZ) Ltd float. The issue will be oversubscribed, but that should not deter investors from making a rational assessment of the issue.

There is talk of the shares being "stagged" beyond the $2 level, based on the immediate reaction to UDC's share price after the announcement that the bank will seek the shares it does not already own in the Wellington-based finance company.

That may happen, but is there any logical reason why shares should be discounted to a dividend yield below 7 per cent, particularly when the company involved is a bank?

The ANZ directors and advisers pitched the price at a realistic level, to yield 8 per cent from the expected dividend of 14 cents a share. Any yield much below 8 per cent, even in the present buoyant (perhaps artificially buoyant) market, implies good earnings growth in future years.

Will the ANZ bank, or any other New Zealand bank, enjoy the appropriate growth in the foreseeable future?

In spite of considerable relaxation of banking controls in recent years, the New Zealand banking system is still tightly controlled, as is the whole financial system. The authorities have the ability to ring the changes at least monthly on the banks through the reserve asset ratio system, and have other weapons for quicker action if that is deemed necessary.

This does not mean that the issue terms for the ANZ issue should be ignored in the market.

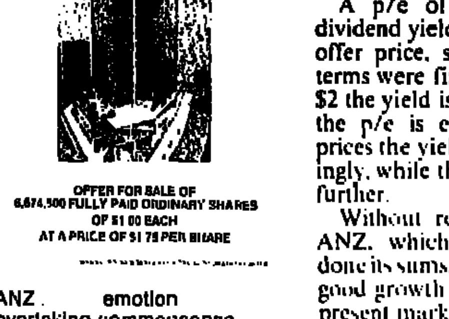
It does suggest that smaller investors at least (institutions have different criteria) should exercise caution before they push the price to, or beyond, the $2 level.

An examination of a few financial facts will illustrate that reasoning. First it is necessary to clear up one matter which has caused a little confusion. This is an issue of *existing* shares being offered by an *existing* shareholder, the Australia and New Zealand Banking Group Ltd. Therefore no share premium account will appear in the accounts of the ANZ Banking Group (NZ) Ltd. in relation to the 6,674,000 shares being offered to the public.

The share premium account on the 3,884,000 shares offered in exchange for the balance of UDC will relate only the amount that the asset backing of UDC shares at the time of acquisition exceeds $1.75 a share. UDC's net asset backing was $1.67 at March 31, 1979, and has probably risen slightly since then.

Anyone who expects the ANZ Bank to pay tax-free dividends will have to wait for some time, until the company can build up tax-free reserves.

Then we come to the bank's profitability. The consolidated accounts in the prospectus show net profit of $10,407,000 after allowance for minority interests. An allowance has to be made at present for the acquisition of the rest of UDC.



ANZ . . . emotion overtaking commonsense

Assuming that UDC earns the same amount in 1979-80 that it did last year (profit at half-way was $1,081,000 compared with $1,090,000 in the first six months of the previous year), the ANZ Banking Group (N.Z.) Ltd. picks up another $922,000 (35.96 per cent of $2,562,000) to give total profit of about $11,330,000, before adjustment for any improved trading in the current term.

The bank will have 44,434,000 shares on issue after the offer to the public, the acquisition of UDC, and the provision of 500,000 shares to the New Zealand staff. That profit, on an historical basis, gives earnings of 25.5 cents a share, and the 14 cents a share dividend is covered 1.82 times.

At an offer price of $1.75 the price/earnings multiple is seven (rounding out the earning rate to 25 cents a share to take account of unissued staff shares).

A p/e of seven, and a dividend yield of 8 per cent at offer price, suggest that the terms were finely pitched. At $2 the yield is 7 per cent, and the p/e is eight. At higher prices the yield drops accordingly, while the p/e moves up further.

Without reflection on the ANZ, which has obviously done its sums, you have to be a good growth company in the present market to merit a p/e over eight, or a dividend yield under 7 per cent unless the herd instinct is outweighing sound investment principles and commonsense.

Those views are based only on the fundamentals. The market will probably adopt other criteria, and therefore anything can happen to the share price. The question is whether the fundamentals warrant the extraordinary scramble for shares which is occurring in brokers' offices throughout the country. I think not, which probably means that the stags will see the price soar.

— Note: The writer has not, and will not be applying for, shares in the ANZ Banking Group (N.Z.) offer, and has no relationship with the company, apart from banking transactions.

Auctioneers talking

TWO of Wellington's remaining four fruit and vegetable auctioneers are talking of amalgamating.

On paper, the merger of Lacey & Thompson Brothers Ltd and Turners & Growers Ltd will produce the largest auction group in the capital.

Talks began four months ago and two months later staff were informed and given assurances there would be no redundancies.

Turners and Growers chairman Jack Turner said there was "nothing to publicise at the moment". Discussions were still going on and the final decision on whether to combine or not still remained to be taken.

A merger will reduce the number of auction floors in Wellington to three from eight in little more than eight years.

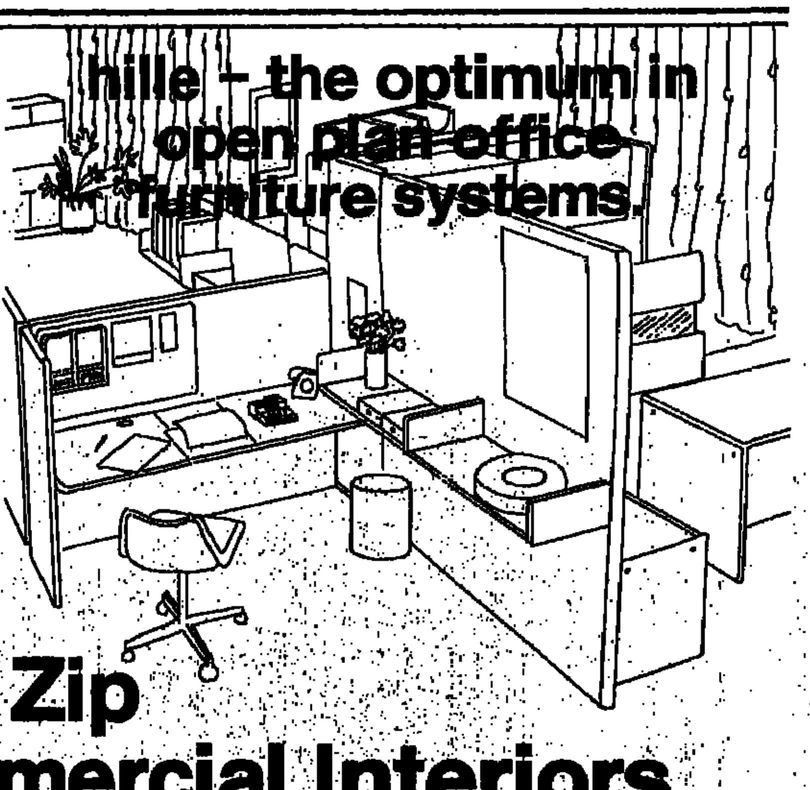
Cut-throat competition has been the eliminating force and is the main reason behind the current proposal.

By comparison, Auckland has three auction floors, operating in a less competitive fashion with commission agents playing a more important role. Christchurch has two.

Turner and Grower's profits are understood to be lower in the capital than in other centres.

Exchange Rates

Australia	.8881	Malaysia	2.1234
Britain	.4257	Netherlands	1.8745
Canada	1.1428	New Caledonia & Tahiti	72.09
Fiji	.8139	Norway	4.7347
Japan	234.99	Pakistan	9.5582
West Germany	1.6958	Papua-New Guinea	On application
USA	.9840	Portugal	48.83
Austria	12.16	Singapore	2.1078
Belgium	27.54	South Africa	.7986
China	1.4367	Spain	64.43
Denmark	5.3156	Sri Lanka	On appl.
France	3.9720	Sweden	4.0650
Greece	37.24	Switzerland	1.5701
Hong Kong	4.7599	Western Samoa	.8853
India	7.6973		
Italy	789.99		



O'Brien on business

House full sign greets travellers to Auckland

Accommodation trade . . . bottleneck tightens.

THE hotel bottleneck in Auckland is still deteriorating.

The 1978-79 *New Zealand Accommodation Inventory and Room Occupancy Rates*, published by the Tourist and Publicity Department, shows that Auckland room occupancy is substantially higher than any of the other 26 regional classifications.

Based on 17 hotels and 1488 rooms, Auckland had an annual room occupancy rate of 79.3 per cent in the year to March, 1979, compared with 78.6 per cent in the previous year, 74.9 per cent in 1976-77, and 75.6 per cent in 1975-76.

The city recorded occupancy rates over 90 per cent in November, February and March, effectively a "house full" situation. This is the first time that 90 per cent has been exceeded in more than one month of a March year.

Any business traveller knows the accommodation problem in Auckland. The city's status as the main port of entry, and the lack of new building projects, aggravate the problem.

The department's survey emphasises the effects of the Auckland bottleneck on the country's total tourist and accommodation trade.

There is spare capacity in most other regions, but people need somewhere to rest their heads after long flights into New Zealand.

Rapidly rising interest rates are affecting new hotel projects planned for the 1980s. Some are being deferred, while others are dormant until the financial sums are recalculated.

No other region had an annual room occupancy rate of more than 70 per cent last year, and only the Bay of Islands had a month (February) when room occupancy hit 90 per cent.

Wellington, which has a notorious reputation for tight accommodation, can be contrasted with Auckland.

The capital had an annual room occupancy rate of 68 per cent last year, with a "high" of 79.7 per cent in March (possibly coinciding with various conferences and national sporting championships) and a "low" of 50.9 per cent in December.

Auckland ranged from 64.2 per cent in June to 91.8 per cent in March. Both the high and low were ahead of Wellington, while the spread between the extremes was less.

Wellington's reputation is based on availability of accommodation between Monday and Thursday night. The city's hotels have low occupancy on Friday and Saturday.

Sunday night occupancy rates are changing as businessmen and other travellers change to Sunday night flights, thus avoiding the equally notorious Monday morning commuter planes which rarely have spare seats.

The business traveller does better in Christchurch, with an annual occupancy rate of 63 per cent, and a spread from July's 44.8 per cent to March's 88.6 per cent.

Holidaymakers who want to stay in hotels also face the problem of overseas tourists in cities like Auckland. But, since they probably have more flexibility than business travellers, there are regions and times when they can get away from it all.

Anyone with a taste for privacy could try Fiordland in July, when the room occupancy rate in 1978-79 was only 10.9 per cent. You would need to like privacy (and rain) to put up with Fiordland at that time of the year.

The department's survey figures have implications for potential hotel builders in regions of the country.

As a general rule, a first class hotel needs an average annual occupancy rate near 70 per cent to be profitable, although some do well near 60%.

Auckland was the only region to reach that figure in 1978-79 but Wellington (68 per cent), Taupo/Wairakei (67.1 per cent) and, would you believe, Greymouth (64.4 per cent) came close.

The figures suggest that plans to build classy hotels in Wellington, for example, need careful thought if the proprietors are to avoid an overall reduction in occupancy in all hotel facilities. Weekends are the problem in Wellington's case, but other areas have difficulties in the "off-season" months.

In Auckland new hotels face problems. They will depend on business travellers for an even flow of custom throughout the year, but the necessary room rates could be a deterrent.

Company chairmen and managing directors may be allowed to spend $60 to $100 (in 1980 dollars) a night on hotel rooms, but the middle level executive may be told it is cheaper either to travel to Auckland and back in one day, or to use the telephone and other forms of communication.

There is nothing like face-to-face contact. But the return air fare from Wellington to Auckland is now $112. The addition of hotel expenses, even for one night, plus other transport pushes the input cost past $200.

Your friendly neighbourhood toll system allows the Wellington businessman to talk to a colleague in Auckland for four hours 26 minutes for $200. That makes up for a lot of face-to-face.

Interest rates

THE Post Office has upped interest rates on housing and personal loans, bringing them into line with other lending institutions. (Housing loan rates up one per cent to 12 per cent; personal loans up from 13 to 14 per cent; secured loans from 11 to 12 per cent).

New conditions for housing loans were announced applying to all loan applications from February 11. The maximum term of second mortgage loans or refinancing of existing mortgages has been extended from five to 10 years; the maximum term for loans on new houses remains at ... Housing loans may be reviewed every three years during the currency of the loan.

Government administration

Rail losses: take some comfort from NSW system

THE next rise in rail fares — to take effect on March 2 — will push up travelling costs, but do little to reduce the cost of railways services to the taxpayer.

A railways spokesman told *NBR* the rising cost of wages and fuel meant the extra revenue would be eaten up, leaving the Government subsidy at its budget level of $60 million.

If that seems a lot, compare our situation with New South Wales.

Public transport costs the NSW taxpayer fives times as much as here.

And the cost of industrial disputes in that state is eight times higher per head of population.

The NSW Arbitration Commission puts the cost of bans and running disputes within the public transport system at A$40 million a year (about A$8 per capita).

The Public Transport Commission, a state government body which runs most of the public transport in New South Wales, is now taking a tough stand on industrial disruption.

The system — buses, urban and country trains, ferries and hydrofoils in Sydney — cost the state government A$450 million last year. The loss is likely to top A$500 million this year.

The PTC provides 60 per cent of passenger transport in the state. In the main business areas, it provides 75 per cent.

Of the 391 million passenger journeys recorded by the PTC in the 1977-78 year, 99 per cent took place in the Sydney-Newcastle area including the urban strip up to the Blue Mountains.

Half the journeys were by bus, 45 per cent by train, 5 per cent were harbour trips.

The biggest state-run undertaking in New South Wales, the PTC took 10 per cent of the Government's operating budget as a subsidy for loss-making services, and consumed 16 per cent of the Government's capital investment budget.

Railways in New Zealand needed 1.1 per cent of Government expenditure as a subsidy on the total operation. The current capital works programme — some is financed from revenue anyway — represents only 7 per cent of the Government's capital budget.

In 1977/8 the New South Wales state contributed 48 per cent of the PTC's total expenditure of A$836 million. Of that A$398 million, nearly 63 per cent (or A$249 million) was for passenger services.

In *Time for Change*, Railways general manager Trevor Hayward pointed out that passengers on urban rail services paid between a quarter and half of the cost of providing the service.

Even the revenue from the best patronised service (Wellington-Hutt Valley) was only 48 per cent of cost.

It may be cold comfort for the local taxpayer, but in New South Wales the passenger in 1977/8 paid only 42 per cent of the cost of the buses, 42 per cent of the cost of the metropolitan rail system, and only 26 per cent of the cost of country and interstate rail.

PTC figures show that providing the public transport system, including the extensive rail freight network, costs every New South Wales family A$8 a week in taxes.

At a total loss last year of $70 million the comparative cost for this country for each family is a more modest $1.50 a week. This excludes losses on local body buses paid by the ratepayer. Including the losses raises the figure to $1.90 per week.

In common with New Zealand, there is something of a swing back to public transport in New South Wales, prompted by the same factors of inflation and rising fuel costs.

Neither New South Wales nor New Zealand were exempt from three other world-wide trends in public transport in the last decade.

Patronage declined, fares as a share of total cost of the service dropped, and rolling stock was run down through a shortage of capital.

In New South Wales in the last 10 years, rail patronage dropped by 30 per cent and bus and ferry patronage by 25 per cent.

In New Zealand, rail passenger journeys dropped by a third between 1968-9 and 1977-8.

According to the PTC, most of its drop occurred after a 50 per cent increase in fares in 1971. In New Zealand, there was a temporary pause in the decade-long decline during the freeze on rail charges imposed by the Labour Government.

In 1967-8 the PTC recovered 80 per cent of its operating cost in fares and charges. At that stage New Zealand Railways was still a profitable undertaking (its last profitable year was 1968-9).

Fares and charges are now less than 45 per cent of the PTC's operating budget the rest is made up by the Government. By comparison New Zealand Railway's loss of $70 million is 22 per cent of its budget.

Lack of capital in the last decade is another common problem.

Both systems are getting bigger capital injections, but in its latest report the PTC said, "without such major investment it is quite clear that the level of service would have rapidly deteriorated to a totally unacceptable level, and prevented public transport from being able . . . to provide a service which could not reasonably be provided in any other way than through Government."

Like New Zealand, the high cost of providing public transport services — whether for passengers or freight — is proving an increasing burden and becoming highly sensitive politically.

The PTC has adopted the standard defense that the cost to the Government of its services is less than the cost to the community resulting from its abolition.

"Not enough work has been done to establish the overall community economics of public transport services", the PTC says.

"It tends to become a notional judgement by the community as to whether or not public transport services should be generally expanded or curtailed and indeed what charges should be made to the user as compared with the amount which needs to be provided from general community resources and Government revenue".

In other words, administrators have to grapple with a system which grew somewhat like Topsy in response to political and community pressures in the past.

How indeed like New Zealand.

Bank appointment

One of the most influential financial positions in the United States — president of the Federal Reserve Bank of New York — will be filled by Anthony Solomon from April 1.

Solomon, Undersecretary of the Treasury for Monetary Affairs, has been responsible for the Carter Administration's international monetary policy and a key architect of its dollar-defense measures.

The New York bank, is the Federal Reserve system's largest regional bank.

WHO CARES?

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b&t Agency of the Year

D'Arcy-MacManus & Masius

b&t has named D'Arcy-MacManus & Masius as its Advertising Agency of the Year.

Primarily the agency has earned the award through the provision of some of the most consistently professional, creative and successful advertising during the past 12 months. These successful Masius campaigns have embraced one of the largest and most diversified client lists in advertising.

Throughout the year the agency also made its resources and professionalism freely available to a number of important and worthwhile community causes, including the National Heart Foundation and the Keep Australian Beautiful movement, thereby enhancing the reputation of the advertising craft.

Masius earned the respect of agency people throughout Australia when it saw fit last July t... to continue to work for one of the nation's largest advertisers ...inci...

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Well, for a start, unlike other awards in this business the b & t award isn't just for the talents of a few special people. It's a team award. Wouldn't you like the same team working on your business?

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If we didn't strive for the same level of professionalism as Masius Australia our name wouldn't be worth the brass it's made of.

When we opened for business in New Zealand we recruited the best talent in both countries. Again for the same reason: Standards. And we recruited the best clients. People who share our love of great advertising.

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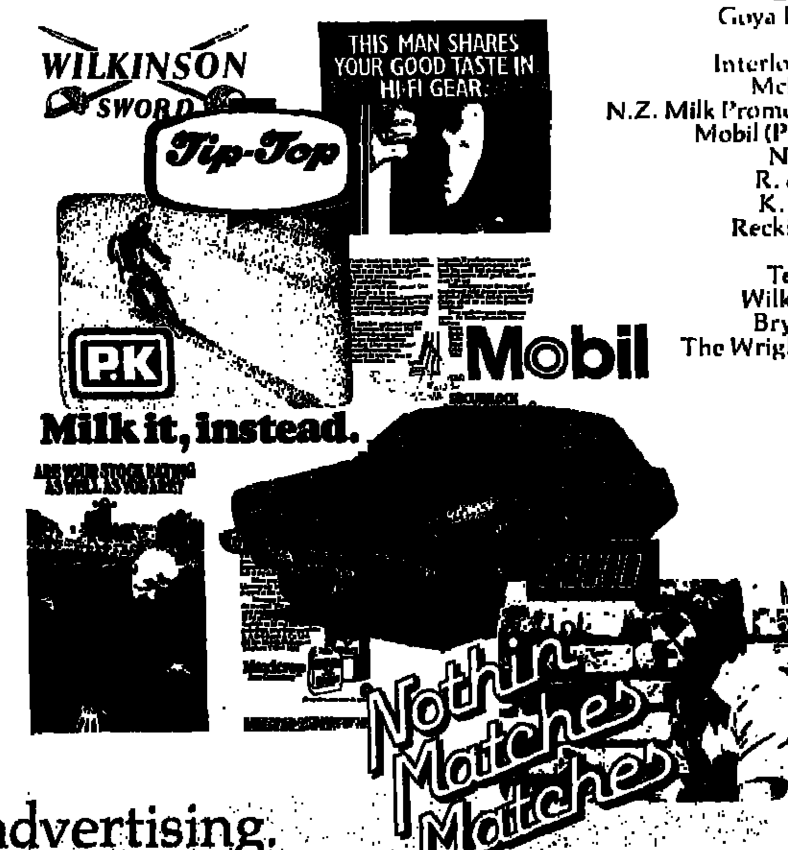
Denis Richmond in Wellington 735-246,
Mike Fahey in Auckland 773-647.



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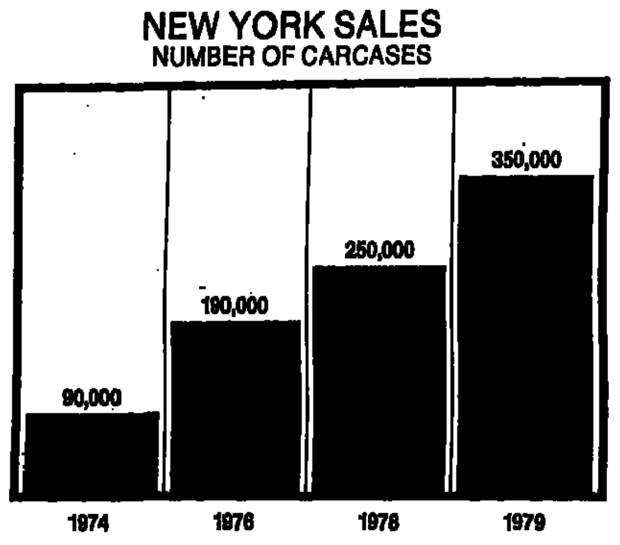
Big Apple meets Bo Peep

by Grev Wiggs



WHEN the definitive textbook on our export marketing is written, we trust it contains a case-study of this country's effort to sell lamb to the North American continent.

And the author of that report should be Peter Wakelin, chief executive of the Meat Export Development Company NZ Ltd ("Devco") and a marketing man's marketing man.

It's not that Devco's chronicle will be a star-studded saga of uninterrupted success. But success is the climax of the story.

It will be a classic study of every aspect of marketing that can be included under that term — from tailoring a product for the western world's biggest food market, through packaging, pricing, meeting price competition, visibility in the marketplace, research, advertising, merchandising, consumer attitudes, promotion and finally to profit.

Devco is a consortium set up specifically to sell lamb to the North American continent. On its board sit farmer representatives and general managers of freezing companies.

Devco sets its own prices and distributes through the New Zealand Lamb Company Ltd in Canada and the New Zealand Lamb Company Inc of United States.

The meat is supplied by 24 meat companies which compete fiercely for the business. They supply to a common specification with cuts unfamiliar to most New Zealand housewives.

The operations are carefully supervised so that the specification is maintained. All meat is packed identically and only a number on the label identifies the originating works.

And the "conditioned" lamb sold to Canada and the United States is a high-quality product.

"When it comes to marketing and selling, we speak with one voice," said Wakelin, and it is obvious he regards this unified approach as a vital factor in a successfully targeted operation.

Selling to North American involves not massive ad hoc selling of meat to fill a temporary vacuum in an overseas market, but intensive cultivation of loyal customers who will begin to regard New Zealand lamb as an integral part of their regular diet and become habitual purchasers.

Looked at from that aspect, Devco must be seen as a pint-sized David tackling a Goliath-sized market.

But a country with the resources of three million people cannot set out to storm a continent with a population of hundreds of millions.

Devco's has been a strategical approach — city by city. And, during the step-by-step advance, marketing weapons have been honed to new acuteness, new strategies have been devised as new under standing of the marketplace has been attained.

There are times when it is better to manoeuvre skilfully than attempt to slog it out in a market battle.

"Protein options in America are many," says Wakelin. "Choice beef, chicken, pork and fresh lamb are all priced at retail according to market forces, supply and demand.

"There is a saying about fresh meat that describes this. You either sell it or smell it.

"So we face a volatile market with a greatly varying spead of meat prices.

"It has been a deliberate strategy of ours to take an increasing quantity of meat away from the high-pressure retail market into the less visible service market represented by hotels and restaurants.

"We achieve much greater pricing stability. And there is a bonus in having lamb presented in the right environment as a gourmet dish."

Apart from the general preference for fresh meat over frozen, the domestic market for lamb in both Canada and the United States presents some special difficulties.

"We've conducted basic consumer and trade market research at very considerable depth and at great cost," said Wakelin.

"We find that before we can open up a new market we must first deal with two preconceived ideas firmly held by housewives. They believe that lamb is relatively expensive and they think of it as diffic to cook."

Wakelin explained th America's sheep populati had declined from 40 millio in 1942 to 12 million. La had become scarce and pri itself off the market. As a r sult, housewives had little no exposure to the cooking lamb and regarded the familiar task as a difficult

Over the years Devco h devised strategies to br down consumer resist and constantly uses t journals and promot techniques to adv product knowledge.

Alison Holst, no strange North America, is abou spend a month there on t promotion. Her low-k highly credible approa also is enormously succes

But the experience ga

Continued next pa

Pitching at the meat trade

and the consumer

Textile industry: Govt cautious on IDC report

by Rae Mazengarb

THE textile industry is in tangles, as it awaits the Government's decisions on the Industries Development Commission report into their operations.

But in the face of reports of huge layoffs of workers, Trade and Industry Minister Lance Adams-Schneider has made clear that the Government will not be forced into hasty decisions.

The report is still before the Cabinet Economic Committee.

The official line is that things are "well advanced" but, there is scepticism in the industry.

One manufacturer said he had heard a decision would be made last week. It wasn't...

But while one source suggested a decision would be made at today's Cabinet meeting, a Trade and Industry official said it could be at least a month away.

Manufacturers seem unwilling to speculate on the outcome, but the industry attitude is that the Government will not implement anything politically undigestible.

Some say the general mood of the industry is depressed, partly because of the economic situation and partly because of imports from Australia and other countries.

One manufacturer suggested that if the report was adopted in its entirety, there would be major disruption and massive unemployment.

The commission's report revealed a highly protected industry which was inefficient, suffering gross underutilisation of capital and plant, horizontal proliferation of units and an inability to compete successfully on world markets.

The IDC's recommendations consisted of a sorting-out process through which some sectors of the industry would be hurt and jobs lost.

But the restructuring would be sufficiently slow, and cushioned by a package of duty reductions and bounties, to allow the industry to adjust.

The IDC plan is designed to encourage the transfer of resources into identifiable growth areas — users of wool technology, knitters, synthetic yarn and clothing, for example.

The IDC does not advocate liberalisation of imports, but distinguishes between "needed" levels of protection and levels which can be justified in its view.

Some manufacturers, undisturbed by predictions of doom and gloom, seem unruffled by the recommendations.

One North Island manufacturer confessed he had not closely examined the report.

Others, mainly from the South Island, appear less optimistic.

Alliance Textiles Limited chairman W R Jackson said he was not opposed to the report entirely, but some recommendations — if implemented — would cost a lot of jobs.

Last year Alliance Textiles directors warned: "...Alliance is now making agonising decisions concerning its future. If Government is to import textiles from low cost countries then we shall have no option except to close mills..."

Jackson pointed out last week that the industry was built up on a base of protection — as were most New Zealand industries.

If textiles were to be produced for the New Zealand market by low-cost countries, then there was no place in the race for the local manufacturer. The company required a decision soon so it coiuld prepare to restructure accordingly.

But it was a Government decision there was no point in stirring the pot further, Jackson said.

Lane Walker Rudkin Limited, managing director, P H Rudkin said the issue hinged on whether the IDC recommendations would be politically acceptable. He doubted they would be.

The report seemed to avoid the most important issues, such as the cost of man-made fibres, he said.

Similarly, Alliance argued in its annual reports: "Acceptance of synthetic and synthetic/wool mixtures to be substitutes for one hundred per cent wool. These are substitutes and the figures prove it, and on this false premise the commission recommends that fabrics containing 49 per cent and less of wool by weight be imported into New Zealand free of licence.

"Some such fabrics alongside woollens would be impossible to distinguish even by a textile technician.

"If these fabrics are sourced from low cost countries... they will compete with local production to a point where local mills cannot continue".

Mosgiel managing director J S Lee said many recommendations were extremely disadvantageous to the industry.

Particularly, he instanced the substitution issue — where cheaper imported fabrics substitute for wool — and the phasing out of import licensing.

Adoption of the plan would affect some 20 per cent of Mosgiel's mill production, he said.

He said two major problems with the "IDC's overall philosophy" of phasing out import licensing in the yarn area were:

- New Zealand production rates were geared for a population of three million people, compared with some 13 million in Australia. The same economies of scale could not therefore be achieved.
- In the area of acrylics, New Zealand manufacturers could not buy the volume to get the fibre as cheaply as their overseas' competitors.

Lee said that while the IDC came out giving 100 per cent protection to woollen carpets, it appeared to have forgotten about the clothing sector.

"Government is in a dream world if it thinks the report will work", he said.

"There is no way the industry will survive. The industry originated to provide employment — not to be internationally competitive... now Government is switching the rules".

Big Apple meets Bo Peep

From Page 20

over the years seems to have culminated in the campaigns mounted last year — campaigns which brought highly rewarding results.

For Canada, television commercials were designed to provide positive answers to the problems uncovered by research.

The commercials were orthodox in style but crisp, direct and craftsmanlike. One dealt primarily with affordability and the other with ease of cooking. The target market of housewives aged 18 to 39 responded.

In Toronto the percentage of those considering New Zealand lamb easy to prepare rose from 25 to 52, in Vancouver from 19 to 44.

"In New York, our problem was to get noticed, to command sufficient attention," said Wakelin, "so we used a highly intrusive approach on TV with buys based on just over 100 GRP plus certain selected newspapers and some radio.

The complete programme was merchandised to the trade. The campaign was produced by a small, highly creative New York agency, Homer and Durham Advertising, and directed by Guy Durham."

The "highly intrusive" approach was made by a comic male presenter, dubbed "Little Bo Peep", wearing a bonnet and bearing a shepherd's crook . . . a gag as corny as they come and as subtle as a butcher's cleaver.

In the first commercial Bo Peep, played by a rubbery-faced actor-comedian, Mark Fine, seated on a chair throughout, tells the public where to buy the product.

The second commercial has a barbecue setting and the third a dinner scene and Bo Peep overrides the other background characters to tell the stories of ease of preparation and good value.

This highly unlikely character develops through the series, is affably convincing and delivers a clear-cut message.

It never pays to discount corn. The pre-test score of those who had seen and heard New Zealand lamb television commercials was 15.2 per cent, but it was dwarfed by the post test score of 56.8 per cent.

Awareness of "New Zealand" as a brand name for lamb rose from 20.3 per cent to 48 per cent. Sales in the marketplace at one stage were double the previous year's rate.

Bo Peep is now planned to travel. He will be seen on TV in Baltimore and Washington shortly. Then it is hoped to transport the New York success to San Francisco and Hawaii.

Sales figures for Canada and US tell the story best. Total value for the years ending october 31 were:

1977	$33 million
1978	$49.4 million
1979	$57.8 million

The 1978 profit after tax figure was $2.2 million. The 1979 figure is yet to be published but it is reported to be even more gratifying.

The price of success was staggeringly low. The total cost of advertising and promotion for 1979 was $2.3 million — less than 4 cents for each dollar of sales.

In markets as large and complex as those mentioned above, this is a highly economical figure.

"Our objective," said Peter Wakelin, "is to obtain the highest possible return for our farmers and for New Zealand."

The way to do that, it seems, is to apply highly effective marketing to a product of high and constant quality.

Wine

Wine fuss forces Health Dept to step in

by Frank Thorpy

THE adverse publicity the wine industry has been attracting results — at least partly — from its very popularity and its own heady success.

The public likes to think well of "our own local wines" and is proud of the progress of the industry.

But there has been a rising groundswell of criticism which centres around:

- The disclosure that undue amounts of water are added to some wines;
- Use of additives, such as sugar, well above the legal amount;
- Ever-increasing prices and the news that local wines have risen in price from 1973 to 1978 by 145 per cent while Australian have increased by 45 per cent and Continental by 34 per cent;
- Demands by winegrowers for further tariff protection and subsidies when they cannot even meet the demand for real grape wine.

New Zealand has about half the quantity of grapes planted necessary to meet the demand. With a market protected from outside competition by import licensing, the shortfall is made up by additives – mostly sugar and water.

Adding water is illegal, and sugar is permitted at the rate of one kilogram per five litres of wine.

Not all wines are so adulterated. There are conscientious winemakers who turn out honest wine.

But pointers exist as to what is going on.

In 1975, 24,312,000 litres were produced from 2351 hectares of vineyards and in 1979 it is estimated that there were 3300 hectares which produced about 42,000,000 litres, according to reliable figures.

In round figures with a 40 per cent increase in the area planted in four years, 70 per cent more wine was produced.

Some will argue that there have been increased yields resulting from better cultivation and more wine made because of more efficient production and modern methods. That is probably right, but such a dramatic jump in wine production could not result solely because of these factors.

Moreover there has been a tendency to use fewer of the high-yielding hybrid grapes and more of the lower-yielding vinifera varieties.

The hybrid grapes require greater amelioration with water and sugar to provide a palatable wine. Thus it is even more puzzling that, with a drop in production of hybrid grapes, there is a general all-round increase in wine production from about 10,000 litres per hectare in 1975 to 12,000 litres in 1979.

To overcome the shortage of grapes, one enterprising winemaker brought in a large quantity of grape sugar must from Australia.

This alarmed other leading winemakers. Some of them promptly applied for an import licence to do the same while seeking an injunction which was settled out of court, for under the terms of the winemakers licence, only New Zealand grapes may be used.

Australian grape sugar is certainly preferable to Fijian sugar but the importation was stopped.

An Industries Development Commission Report on the wine industry is due for release shortly, but Trade and Industries Minister Lance Adams-Schneider is reported as saying that water in wine has no direct bearing on his portfolio, and apparently neither has the overall quality.

The responsibility lies with the Health Department, which administers the food and drug regulations.

After press and television disclosures had been made about water in wine and the Brother Dominic fuss, the department launched a survey and has been testing about 60 wines bought at retail level.

But the department says it will not be releasing the results of the survey. The public have a right to know and it is hoped that the Minister will exercise his discretion and allow publication.

The publication of the tests may put the public on guard as to what wine including brands they should avoid but it will not solve the problem of the shortage of good honest wine true to label.

The department's answer to some of these problems is bound to be reflected in an overhaul of the regulations.

Health Minister George Gair has acknowledged that some wines have failed to conform to existing regulations. He met with the Wine Industry before approving the revised regulations to take effect by the end of March.

But wine consumers remain in the dark about what sort of beverage these political machinations might lead to.

The new regulations probably will specify minimum grape juice content in wines with a differential between premium and bulk wines.

It is hoped that regulations clarifying the water question will reduce the winemakers' temptation to turn the water hose into the vat to bolster quantity and profits.

Wine sources say there is no desire by the Wine Institute to allow imported grapes into the country to make up the grape shortfall. The addition of foreign grapes would destroy the "distinctive New Zealand character" of our wines, they say.

Management

With reference to testimonials, watch out

by Heather Marshall

IT is a sign of the times that applicants for unskilled work in industry are now expected either to bring references with them or supply the name of a referee to be reached by phone.

But references don't always mean what they say. What is left out of a reference is more significant than what is put in.

Take the damning-with-faint-praise reference: "He has proved average in every respect."

Or the "Mr So-and-so claims to be 63 and we have no reason to doubt his word." This immediately tells you that the applicant has passed retirement age but won't admit it.

References may be handwritten for more than one reason. There is:

(A) The reference written by the working owner of a small concern. It is very reliable. The writer has worked alongside the subject and knows him well. He is usually not keen on paper work and won't go to the trouble for a poor worker.

(B) The reference written by a neighbour or friend because the applicant couldn't get one from an employer.

(C) The reference written by the applicant.

Then there is the reference badly typed on a portable typewriter with the tops of the letters and even whole words in red type, while the rest is black. It has been picked out with two fingers by the sole-charge office girl, often the owner's wife, from instructions: "Joe's leaving on Friday and wants a reference. Say he's a damned good worker but put it in the right language. I'll sign it."

The signature is that of (A) above, 10 years later when the business has grown to employ ten men.

The well-typed reference is the biggest gamble of all. Its reliability depends on the personality of the writer.

The only satisfactory way to determine its accuracy is to ring the signatory. If he meant what he wrote he will be indignant at being asked to confirm it, even to the extent of saying: "I wrote him a reference so I wouldn't get this type of call."

Inaccurately flattering references are written because a worker has been put off through a downturn in work and the employer feels guilty about it or because the composer doesn't want to be unpopular or for fear of arousing indignation or argument and because it's the easiest thing to do.

Many firms will supply only a statement of employment on pre-printed forms, saying it is not their policy to give written references but further information can be obtained by ringing the personnel officer.

This is probably the most satisfactory course from the point of view of both the ex-employer and the employer-elect.

Many applicants carry a history, if not an actual reference, on their faces and hands. Personnel officers soon develop a skill in reading the language of tattoos and in noticing the attempts at removal or famouflage.

The long-sleeved, high-necked shirt worn in the heat of summer — at least for the duration of the interview — almost certainly hides a multitude of skin decorations.

Large dark glasses may be hiding borstal tattoos on the forehead or cheek bones rather than protecting eyes against the artificial light of the personnel office.

Not that a criminal record is a contra-indication to employment. It is one of many factors to be considered in the difficult business of selecting the best person for the company that is to pay his wages.

Blood-shot eyes, restless hands, inattention, yawns, vagueness about the date and time of day, along with more obvious signs are a negative type of reference indicating the applicant is on drugs, of one strength or another; he is likely to be unreliable and a danger to himself and others on the factory floor.

A different type of written testimonial recently made its debut over the personnel officer's desk and is being presented more and more frequently by young job-hunters. It takes first prize for absolute sincerity, complete bias and utter unreliability.

It is written by the applicant's mother.

Tourism

Why passengers saw red flying Aeroflot

WHILE the Soviet airline Aeroflot was copping retaliatory flack at New York airports recently, two Kiwi travellers were shuddering at the memory of their own Aeroflot escapade.

The pair were among a party of 41 travellers who staged a sit-in on an Aeroflot plane at Heathrow Airport to protest their treatment from the Russian airline.

They had flown from London in Christmas week bound for Moscow, Kuala Lumpur, then home. They wound up back in London three days later with no explanations and no assurances they would reach their destinations on their original tickets.

Their homecoming began when they boarded the Aeroflot jet in London on the afternoon of December 21 on tickets worth £420 a piece. The flight came down four hours later in Warsaw, not Moscow, for reasons clearer to the airline than their passengers.

They queued for several hours before being issued with the visas necessary to get from the airport to their Warsaw hotel beds by 2.30am.

Next morning it was off to Moscow, where they found their flight for Kuala Lumpur had left without them.

It was mid-afternoon, Moscow time.

But there were no explanations, and no suggestions for alternative onward travel.

Part of the group – including children and babies – spent the night on the airport floor.

During the night some families were taken into Moscow and left locked in their buses, in freezing cold, outside a hotel.

The children were vomiting from exhaust fumes.

One bold investigator broke out of the bus to find their Russian escorts inside drinking.

During the night some of the group tried to send cables to relatives around the world. Checks later showed that few of the messages were received.

They were back on the tarmac, cold and hungry, late the next morning.

Rumour had it they were going on to Singapore or maybe Kuala Lumpur. But the jet they were boarding was bound for London.

It seemed they were to be dumped at Heathrow to find and finance their own way across the world three days after they had originally set out.

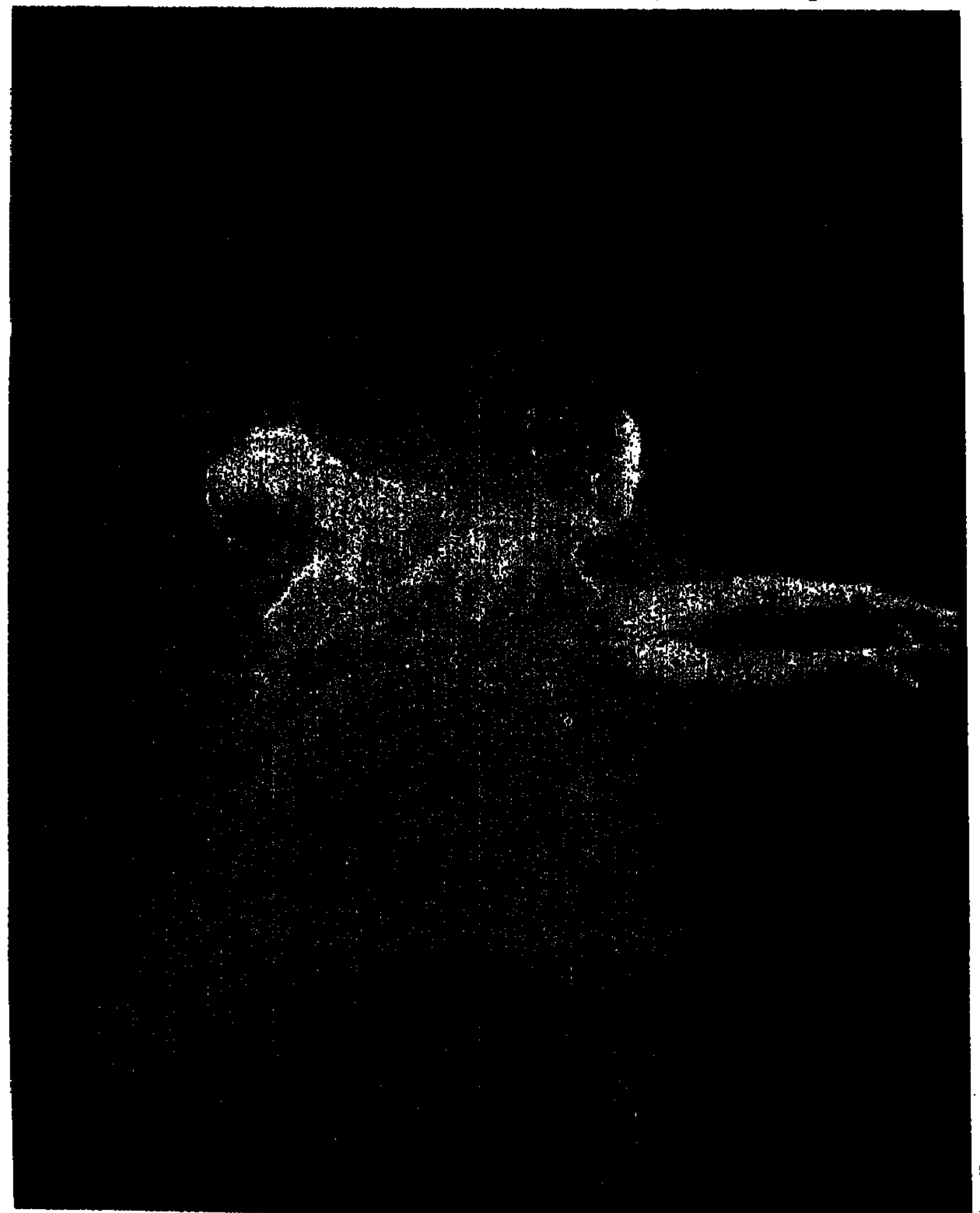
But the Heathrow sit-in attracted union support on the ground and angry headlines in the British press.

Eventually Aeroflot came up with tickets home on other airlines. But British reporters got no satisfactory explanations for the airline's foul-up.

"We still have no idea why we were treated like that," said one of our travellers. "But we've since heard of others who have been shuttled around the Iron Curtain countries by Aeroflot in an even worse fashion than we were."

Moscow . . . and then back to go.

Through eloquent movements, dancers of Copenhagen's Royal Danish Ballet demonstrate their mastery of this, the most demanding art form.



Qantas moves on Hobart

AUSTRALIA'S two domestic airlines are still trying to get the Christchurch-to-Hobart air service off the ground.

But the international flag carrier Qantas has been making the running recently.

Qantas had publicly professed disinterest in the domestic lines' plans to run across the Tasman, but Qantas showed its hand with a statement that it had offered to operate the service, using planes chartered from TAA and Ansett.

Qantas plans to run two services a fortnight on alternate Saturdays and Sundays, using a Boeing 727.

But Qantas did not tell the public that neither the domestic airlines, nor the Tasmanian travel industry, are greatly interested in a service under those conditions.

The statement from Qantas and lack of critical comment from TAA and Ansett reflects the delicate state of airline industry politics in Australia.

As the sole international carrier, Qantas has jealously guarded its monopoly and turned back several attempts from outsiders to muscle in.

Its offer to run the Hobart-Christchurch service on behalf of the domestics, and using their equipment, was sarcastically described as "generous" and "pointless" by spokesmen for Ansett and TAA respectively.

Feeling in Australia is that Qantas considered itself obliged to offer to operate the service, once the domestics had satisfied themselves it was an economic and viable route.

"It effectively preserves Qantas international monopoly while doing little or nothing for increased tourism in Australia", one airline spokesman observed.

The use of Qantas as the name for the operator of the service is said to have been made at the insistence of the Australian Government.

Ansett, which first proposed the service in 1978, regards that decision as "bloody stupid", and – according to TAA's traffic studies – running an aircraft once a fortnight did not make any commercial sense.

The upshot seems to be that neither airline will have much incentive to market the service heavily, contrary to strong pleas from both Hobart and Christchurch.

Starting the Hobart-Christchurch service was to be the first of a series of regional links planned by Ansett.

The company's expansionist ambitions have not lessened with the takeover by Rupert Murdoch. And TAA has not given up its thoughts of moving out of Australia.

TAA's decision to buy A300 Airbus gives it substantial capability to bridge the Tasman on a competitive basis with Qantas and Air New Zealand, as well as operate to the Pacific Islands and Asia.

An Ansett spokesman said the Government's decision that the Hobart-Christchurch service should be operated in Qantas' name was "not so decent".

More political pressure is likely to be applied on the Federal Transport Minister, Ralph Hunt, who is likely to be further pressured to get rid of the Qantas connection and let, one or both of the domestics drum up the market.

Both TAA and Ansett believe there is good potential in the South Island for package tours to Tasmania and then on to either Melbourne or Adelaide.

The air link would bring Adelaide and South Australia further into the orbit of international traffic. TAA, particularly is anxious to develop and promote greater domestic tour content in international holiday packages.

Using Tasmania as both an attraction in its own right and as a bridge to New Zealand could prove popular and economic in international programmes to the South Pacific.

Tourism

Air talks: NZ stance likely to win support

by John Draper

DELEGATES to the second International Air Transportation conference in Montreal this month will encounter a "bible"-bashing New Zealand team.

And the external civil aviation gospel, according to the New Zealand Government, is expected to be well received by others who are confronted with the twin problems of the American open-skies policy and fortress Australia.

Fares and capacity will dominate the three-week conference sponsored by ICAO, the International Civil Aviation Organisation.

New Zealand's external aviation policy, enshrined in a white paper published last December, makes it clear that neither the Australian nor the American policies – which are likely to dominate discussions – are acceptable.

Point-to-point fares applied by both are seen as a particular threat to tourism. North Americans tend to visit New Zealand, Australia and the Pacific Islands on one trip.

The Australian policy of limiting low-fare volume traffic to Qantas and one other airline is specially repugnant, a point that has been bitterly fought by the carriers of the Asean nations and is now being resisted by European airlines.

By contrast, America's deregulatory mood is seen as harsh but endurable – particularly by small carriers like Air New Zealand serving a comparatively isolated market located far from the main air routes.

Other nations faced with a similar dilemma may read carefully the New Zealand gospel, which at least shows the Government willing to listen to innovation without giving the proponents the automatic rights to operate.

The policy was formulated with "much pain and the shedding of tears".

Essentially it remains pragmatic but with some obscure elements, some observers say.

Air New Zealand can no longer automatically expect the same degree of support that it received in the past.

For 30 years, Government aviation policy has been to foster development of the national carrier in various guises.

Now that the airline has grown up, flying modern jets on a viable Pacific Basin network which is unlikely to see any major additions in the next few years, it can no longer expect the same degree of protection.

Competitors, willing to prove that their new fare, route or frequency proposals are in the nation's interest can expect a sympathetic hearing from the New Zealand Government.

Approval will be dependent on the workings of a simple-to-express, but difficult-to-work, formula designed to calculate the net benefit.

If more foreign exchange is guaranteed to flow into the national purse than Air New Zealand might lose, then, in theory at least, approval should follow.

But the "Welcome Sir Freddie Cutprice Laker" billboards will not be seen on the way to Auckland or Christchurch airports. There are still sufficient safeguards to stop potential operators preying on Air New Zealand's existing markets by re-packaging the existing traffic.

But as the white paper records: "In a major departure from previous policy, New Zealand indicated in 1978 to a prospective applicant that it was prepared to entertain an application for a series of non-affinity charters on an experimental basis."

The proposal, though never formally received, was for several Skytrain-style flights from the United States.

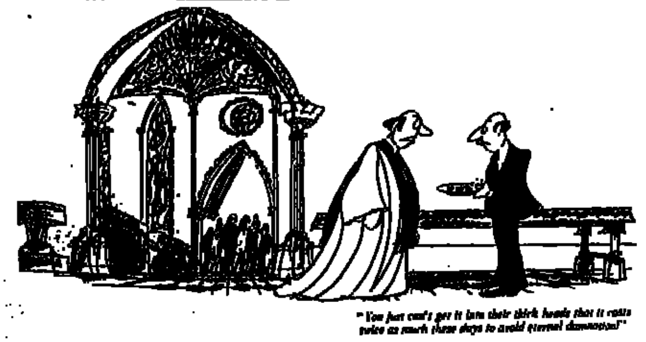
Thai International and Cathay Pacific – both wanting rights to come into Auckland – get little help from the clearer statement of Government policy.

Both airlines can be ruled out on the grounds that they will dilute Air New Zealand's London-bound traffic, which is now channelled through Singapore, Hong Kong and Los Angeles.

Until trade with Thailand and Hong Kong grows substancially to justify service of "New Zealand's political, stratigic and economic interests", the door will remain shut to both.

Nor will Continental Airlines find much comfort when it applies to re-route services across the Pacific, to include a Tasman crossing and the omission of a Pago Pago stop, thereby competing directly with Pan Am and Air New Zealand between Auckland, Honolulu and Los Angeles.

Small Pacific carriers wanting to extend their networks might find landing rights at Auckland easier to obtain, even if like Nauru, Air New Zealand does not want to mount reciprocal services.



Kiwis flocking to get airborne

by John Draper

KIWIS eager to fly away are leaving the travel industry breathless.

Traditionally, the first few months of the year are quiet as people dribble back to work from Christmas holidays.

But this year travel agents are being kept busy with bookings for a wide variety of international travel for both business and pleasure.

Cheap "Epic" fares from Australia to Wellington are already booked out for the winter season and Air New Zealand's office in the capital sold twice as many European summer holidays as it did in January last year.

Phones are running hot with 4500 calls a day for international reservations, although not all are for new travel.

Qantas bookings in Wellington, mainly for trans-Tasman travel, are well ahead of budget, a pattern that is being repeated around the country.

Few seem to know why.

Travel Agent's Association executive director Peter Lowry attributes the boom to a change in attitude.

"Over the last three or four years people have decided that travel is a commodity – and they want it," he said.

The rising cost of travel, and airfares in particular, was totally unrelated, he said.

Qantas central region sales manager Bruce Kenny said he doubted if people had woken up to the probable future rises in fares.

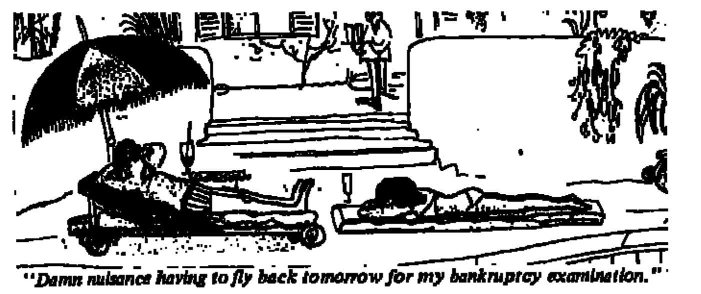
Air fares have risen little in comparison with fuel price increases in recent months, although another 8 to 10 per cent adjustment is due to take effect on April 1, if the Government gives its approval.

Air New Zealand spokesmen took a different view.

People realising that the cheap travel bubble was about to burst was the cause of heavy bookings, he said.

If that is so, there is likely to be a downturn late in the year when the full effect of rising fuel costs becomes apparent.

The industry has been expecting a downturn with every rise so far as the whole cost of overseas travel, hotels, food and ground travel escalates. But the slump has yet to come.



"Damn nuisance having to fly back tomorrow for my bankruptcy examination."

The law

Patents, medical treatment and law reform

by Jack Hodder

THE concepts of property and competition lie at the heart of a free-enterprise system. The patent system, which enables an inventor to monopolise industrial property for up to 16 years, is thus something of an anomaly. It is also something of a mystery to outsiders and riddled with its own anomalies.

A patent case with international legal, commercial and medical significance was recently decided by the Chief Justice, Sir Ronald Davison.* His decision extends the scope of the patent system, illustrates the system and its anomalies and highlights the wider anomaly and the fine line between law and policy.

The case arose when the Commissioner of Patents refused to allow an application to patent a method of medical treatment to proceed.

The applicant, Wellcome Foundation Ltd, an English company, had discovered that certain known compounds, an English company, had discovered that certain known compounds ("2, 4-diamino-5-phenyl- 6- alkylpyrimidines") are considerably effective in treating meningeal leukemia or neoplasms in the brain. The commissioner's view was that methods of human treatment were not patentable "inventions" in terms of the Patents Act 1953.

Wellcome appealed to the Chief Justice, whose 61-page decision allowed the appeal. He ruled that Wellcome's application was a proper subject for letters patent and could proceed.

That decision was without precedent in New Zealand, Australia and Britain, all of which had virtually identical patent laws.

Indeed if there was one thing that was previously clear about patent law, it was that methods of medical treatment were *not* patentable. That was reaffirmed by the influential English Court of Appeal as recently as 1977.

So what has happened? Has the Chief Justice struck out bodly in the right direction? Or has he simply struck out?

Incredibly enough, the beginnings of answers to those questions require an excursion into 17th century England.

In 1623 the Statute of Monopolies declared that all monopolies "are altogether contrary to the lawes of this Realme, and so are and shalbe utterlie void". But section 6 of the statute exempted "letters patents and graunts of privilege for ... the sole working of makinge of any manner of new manufactures, to the true and first inventor".

Today, under the NZ Patents Act 1953, a patent is sought for an "invention" which means "any manner of new manufacture the subject of letters patent and grant of privilege within section 6 of the Statute of Monopolies". A somewhat unhelpful formula. And one leaving the meaning of "invention" for the judges to play with.

For many years the judges ruled that a "manner of manufacture" had to produce, improve or preserve some vendible product. This meant that patents were refused for such things as a process for extracting lead from persons suffering from lead poisoning and an improved process for hair perming.

In 1961, the High Court of Australia allowed a method of eradicating weeds from crop areas (by applying known chemical compounds) to be patented. It redefined the "vendible product" test so as to include a method producing an effect which has economic significance.

On this basis patents were subsequently allowed for such things as a new hair conditioner and a method of oral contraception. But patents were still consistently refused for methods of medical treatment such as the use of known compounds to reduce gastric secretion or alleviate gout.

The Chief Justice's decision changes the rules again. He reasoned that as patents had been granted for contraceptive and cosmetic treatments of human beings, there was no logical reason for curative treatments to be treated differently. He also referred to the desirability of incentives for the researches who make discoveries such as that sought to be patented by the Wellcome Foundation.

The "incentives for research" argument is one of policy rather than law. And it is not unquestioned.

The comprehensive Banks Committee report on the British patent system (Cmnd 4407, July 1970) noted that the system has always been concerned much more with encouraging manufacture within the country than with encouraging the creation of the invention itself.

Further, even if the 16-year monopoly given by a patent encourages an inventor to put his new mousetrap or metal alloy into production, can the same be safely said in the medical treatment context?

There is, for instance, the "question of humanity" referred to in the 1914 case, denying patentability for the method of removing lead from human bodies.

The practice of the medical profession of discouraging members from obtaining protection for any discovery that related to the alleviation of human suffering was there commended.

There is a more practical argument. It may be illustrated by analogy with a 1963 case where Rolls Royce was refused a patent for a method of taking off in jet aircraft which reduced the noise level.

The court noted that such a patent would be generally inconvenient in that it was not in the public interest that aircraft pilots should be worrying about possible patent infringe ment during takeoff. Similarly with doctors treating patients.

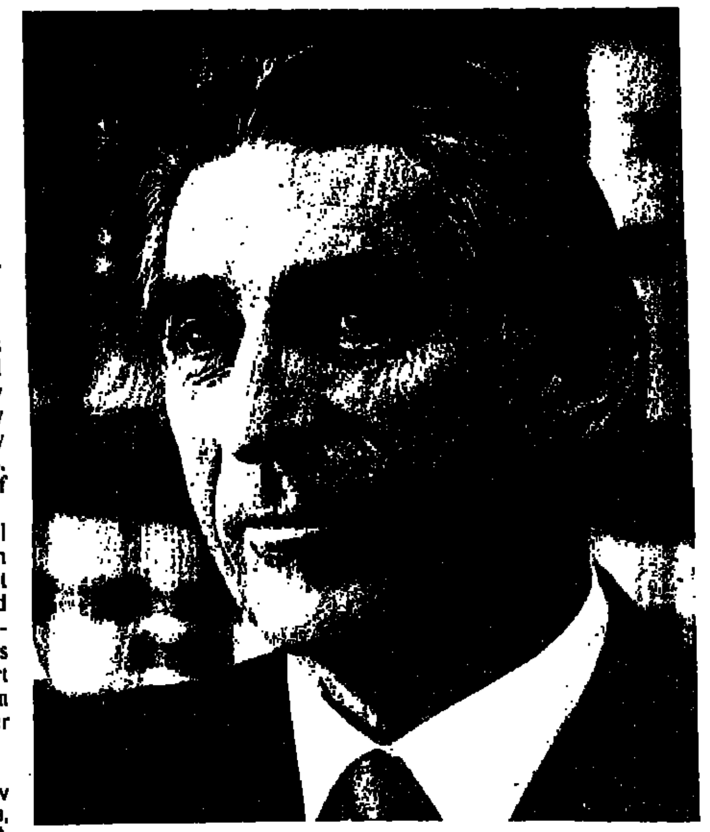
These arguments are perhaps better considered outside the narrow context of litigation. That seems to be why the English Court of Appeal declined to allow a patent for a method of reducing gastric secretions in 1977 and said that if change was necessary it was a matter for the legislature.

In Britain there has been new legislation in the form of the Patents Act, 1977. It requires that patentable inventions be capable of "industrial application" and specifically provides that a method of treatment of the human or animal body shall *not* be taken to be capable of industrial application.

In New Zealand, Sir Ronald has declared that the law has changed and virtually forced Parliament to respond, if only to extend the compulsory licensing provisions, presently applicable to foods and drugs, to patentable methods of medical treatment.

Given the 1978 National Party manifesto's recognition of the need to revise patent and copyright laws, the need for some degree of international harmony on patents and the odd maverick court decision, the prospect for a new Patents Act are rather good.

* Wellcome Foundation Ltd v Commissioner of Patents, Davison CJ, Supreme Court, Wellington, 13 December 1979.



Sir Ronald Davison ... decision extends scope of patent system.

Why cut-price trader can't get into gear

THE HIGH import prices paid for car parts shows an unwillingness by the multinational car companies to buy from the cheapest sources. Thus they waste valuable foreign exchange.

The Commission of Inquiry into the Distribution of Motor Vehicle Parts was told the maximum markup for car parts was 174 per cent.

Mid-last year a Volkswagen gear selector arm coupling was selling retail for $45. Working on the 174 per cent mark-up figure plus 20 per cent sales tax that part should have cost the importer $21.55.

The same part could have been obtained from South East Asian sources for $3.39 thus saving $18.16 in foreign exchange per part.

New Zealand buys little automotive rubber parts (of which the gear coupling was one) from Asian sources.

The multinational automotive companies get some parts from that part of the world. But somehow the prices go sky high before they are re-exported to New Zealand.

So why doesn't some smart fellow land this part in New Zealand for $3.39 and sell it for $45. Better still sell it for $6, nearly doubling his money, and become the consumer's darlings?

Answer: Because Trade and Industry won't grant him a licence to do so, in spite of the foreign exchange savings.

Plastics

PM praises packagers

by Peter Isaac

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Prime Minister Robert Muldoon's keynote address to the Plastics Institute annual meeting pointed up how both PINZ and PM had helped each other over a difficult year.

The atmosphere surrounding the Prime Minister at the *conference was pure Generation Game – didn't we do well.*

And they did. The Prime Minister, in his role of Minister of Finance, kept the consumer cash pouring into High Street, and the development money moving through the farm gates.

These two markets kept the plastic men busy after the first quarter. For their part, the plastics manufacturers maintained employment, and did their best to boost exports.

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Specifically, Muldoon hinted at further tinkering *with import licensing to* favour exporters.

He also conveyed something of a veiled warning when he said that "cost containment" was the priority and emphasised the importance of greater industry cooperation in such areas as die exchange.

He also reminded the industry to keep up its standards, and recalled the temptation to produce poor-quality consumer goods.

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As far as the industry itself *was concerned, though,* Muldoon's most interesting revelation was that he per*sonally recognised the indirect* contribution made to exports by the packaging section of the plastics industry.

This could be important longterm for the industry. There has been much discussion departmentally as to whether or not packagers as indirect exporters are entitled to the same concessions as the direct exporters.

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He noted that Australia and New Zealand are each other's largest markets for manufactured goods.

He noted, too, that the trade ratio of four to one in Australia's favour in 1965 had changed to three to one in 1975 and stands at "the more balanced" 1.7 to one in Australia's favour.

Even so, Adams-Schneider drew attention to some of the problems coming from Australia, specially the barriers placed against exports when firms had become "too successful".

"One of my major concerns with Nafta at the moment is the tendency by Australia to concentrate on imbalances in areas where we are successful without looking at the whole picture," he said.

Specifically, the Adams-Schneider drew attention to the slowdown in adding new products to Schedule A, which now categorises 66 per cent of trans-Tasman trade.

Among the reasons for the slowdown in category A was the economic problems in both countries, he noted. The increasing pressure by the Australians to sell still more easily on the New Zealand market was also a factor.

At the same time, Australia was pressing in its own interests for added access through Schedule B, the generally accepted half-way house to Schedule A.

Concessions by New Zealand on Schedule B had been such to generate criticisms that we are selling ourselves short, Adams-Schneider noted.

On access, New Zealand suggested levels that would have allowed for a trade ratio of approximately 2:1 in New Zealand's favour from originally 5:1 and more recently 3:1.

Adams-Schneider noted too that in the negotiations New Zealand had agreed to an increase in the standard rule of origin from 50 per cent to per cent. The rule determines the percentage of the combined Australia/New Zealand content in a finished product.

The significance here, he noted, was that by promising to derive more which components from Australia in preference to third world countries, we were losing much of our competitive edge. Even so the Australians had turned down the deal.

Packaging development

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The consumer appeal of the pack is that products can be snipped off a sheet without admitting air to other perishables encapsulated in the film.

The frost-free benefit derives from the total contact of the film with the product which it covers, thus stopping ice crystals from being formed.

The new process seems to have the advantage of simple operation. Products are placed in the desired position on the lower film which is drawn on to the machine platen.

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Between the two extrusion systems, the film is electronically bombarded to cross link and thus strengthen, the polymer.

It is this process which, in part, gives the Barrier Bag its unique flexibility and durability.

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Old bombs set the fuse for rationing abuse

BLACK marketers will be able to drive a procession of battered old heaps through the Government's $16 million petrol rationing scheme when it is introduced.

There will be nothing but "honesty" and unspecified "random checks" to stop petrol-thirsty motorists getting a ration for an immobile-and possibly non-existent "bomb" in his backyard.

As a deterrent the Energy Ministry will require car owners to give details of registration and the latest warrant of fitness when applying for ration coupons.

But no system exists for relating warrants to registrations other than at issuing stations.

To get an up-to-date reporting procedure for the three million vehicles requiring a new warrant every six months would be "very expensive".

Garages, which still issue most warrants, are required to keep duplicate copies for seven years before destroying them.

Energy Ministry officials are aware of the flaw but *NBR* understands no solution has been recommended to Government because of the difficulties that would be encountered.

Already 1800 staff are needed to administer the Government's proposed emergency rationing scheme, costing $16 million in its first year of operation and more than $11 million in subsequent years.

As the law stands, owners who take a vehicle off the road permanently are required to fill in form MR15 and surrender the registration papers to the Transport Ministry.

Exxon oil analysis optimistic

A STUDY by world's largest oil company, Exxon, concludes that the world could stand another halt to Iranian oil production without suffering serious shortages.

The Exxon study says world-wide inventories of oil are large enough to cope with a three-month halt to production in Iran.

Stocks would last even longer if other oil-producing countries kept producing at their current rates, according to the company analysis.

Exxon, which has limited circulation of the analysis, has taken an optimistic position, given the world situation of further price rises, and talk of production cutbacks by OPEC countries to conserve resources.

The analysis suggests that American consumption may have peaked in 1978 in contrast to earlier company forecasts which were predicting a peak in 1984.

Exxon surveyed inventories available for drawdown-that is oil in storage tanks rather than oil already in the process of distribution. At the beinning of October this stood at 660 million barrels, enough for 16 days supply. According to Exxon that figure is 11 per cent above normal and more than 20 per cent ahead of supplies a year ago, when the Iranian problems began.

Exxon predicts that inventories have grown further since then. Stocks normally build up during the northern autumn to cope with the high seasonal draw-off over the next few months. The company says stocks have continued to build up past the point at which drawing off normally begins.

The general belief is that countries and traders have been hedging their bets against both possible cutbacks — both in Iran and elsewhere — and further price rises. Exxon made two interesting forecasts:

- As 1979 drew to a close spot market prices would fall as they have done over recent weeks.

- The differential in price between the contract and spot market prices would narrow as oil producing countries moved up their contract prices towards the limit of what the market would stand.

Thus in recent weeks a number of countries have posted increases of up to $4 a barrel.

Assuming a recession in the United States and a general slow down in economic growth world wide, Exxon forecast a decline in world oil consumption of just over one per cent. (from 52.3 million barrels a day to 51.7 mbd i[n] 1980).

By 1981 consumptio[n] would rise again to 52.7 mb[d] compared with 52.0 mbd i[n] 1978.

In the United States, whi[ch] accounts for over a third of th[e] world's oil consumptio[n] would drop over 3 per cent [in] 1980 and although Exxon e[x]pected demand to rise again [in] 1981 consumption would s[till] be 2.6 per cent under the p[eak] of 1978.

Therefore Exxon conclu[d]ed some cutback in OP[EC] production could be sustai[ned] and the slightly depres[sed] level of demand still be m[et]. OPEC plans to prod[uce] 29mbd in 1980 – 2mbd fe[wer] than in 1979 – but that w[ould] be adequate to meet dem[and] according to Exxon.

Export bonanza brings 'Dutch disease' risk

THE Australian Mining Industry Council has released details of a financial survey which shows the increasing contribution the mining industry is making to the Australian economy.

In 1978-79 the mining industry contributed $A2800 million to the balance of payments, an increase of about $A500 million over the previous year.

But a group of economists from the Bureau of Agricultural Economics warn that increasing international demands and higher prices for energy exports, such as coal and natural gas, will have a depressing effect on the country's primary industry.

Their discussion paper argues that a mining boom would lead to a strengthened balance of payments situation and the upward revaluation of the Australian dollar. Revaluation would lower the prices received for agricultural exports and reduce farmers' incomes.

The BAE economists estimate that the mining boom of the late 1960s and 1970s reduced the rate of growth of some Australian agricultural products by as much as 40 per cent. They contend that any upward revaluation of the Australian dollar in the wake of rising energy revenues might be avoided by lowering import tariffs.

The increased expenditure on imports would help offset rising revenues from energy exports and avoid the upward revaluation.

Lowering import tariffs would help to keep Australian agricultural exports competitive and reduce the costs of many manufactured farm items.

Australian Treasury Secretary John Stone has suggested that Australia deliberately lower tariffs on inefficient industries as at least a partial alternative to exchange rate appreciation.

The Melbourne merchant banker Capel Court warned that this represents a major policy decision which must soon be faced. It says that in terms of crude political lobbying, it sets the rural, mining, and efficient manufacturing sectors against the less efficient manufacturing sectors.

The latter are well experienced in arguing in emotive but politically effective terms about lost jobs. Given these political pressures, governments of either persuasion might be tempted to use the increase in energy revenues [to] feather-bed Australia's i[n]efficient manufacturing i[n]dustries.

The increasing importa[nce] of mining resources to t[he] national economy raises a question of the capital inv[est]ment needed for exploitati[on].

Some estimates have p[ut] this as high as $A30 bil[lion] over the next 10 years. [–] Capel Court, with the co[rol]lary that Australia can[not] supply all the required capital.

In that event, to what ex[tent] is foreign ownership of Aus[tralian] resources politic[ally] acceptable, and how [fast] should such exploitati[on] proceed?

Further, what proportio[n of] the gross domestic prod[uct] should be committed to t[he] infrastructure required to [ex]port mineral and energy re[]sources: coal loaders, st[an]dard rail links to major po[rts], power generation for min[eral] processing, and port dre[dg]ing?

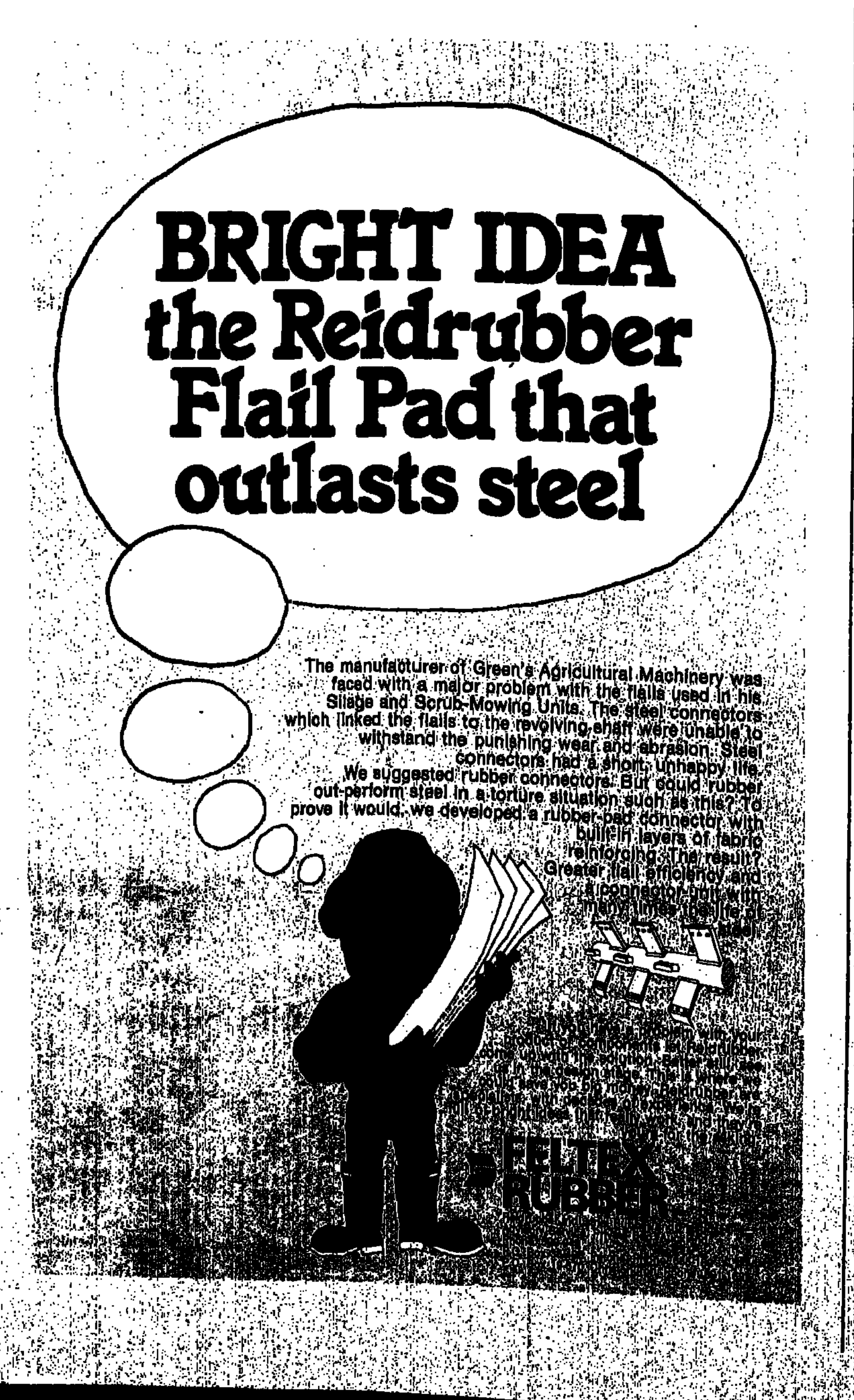
Much, if not all of th[is] would mean an increa[sed] proportion of the gr[oss] domestic product being co[n]sumed in Governme[nt] spending. The paradox is th[at] while such projects are esse[n]tial to the export of Austral[ian] mineral and energy resourc[es] expenditure on them may re[]sult in fiscal and moneta[ry] laxness at Government lev[el] pushing Australia's inflati[on] rate over the world-wide up[]ward cost trend.

Among the business com[]munity fears have been e[x]pressed that this energy wealth will infect Australia with what is known in Europe as the "Dutch disease".

In 1959 the Dutch di[s]covered huge reserves of na[]tural gas in northern Hollan[d]. By the end of 1977 all but 5 per cent of the profits were ac[]cruing to public revenues.

These gas revenues were used to make the Dutch social security system one of the most expensive in Europe.

This natural [illegible] windfall, however, [illegible] ficiently applied [illegible] investment in the [illegible] Dutch economy. [illegible] time the natural [illegible] made the Dutch [illegible] the strongest [illegible] Europe [illegible] tional Dutch [illegible] export markets [illegible] The result [illegible] rising [illegible] economic [illegible] decline in [illegible]



Wider use of economy cars will reduce fuel bill.

Motoring Writer

INCREASING the sales of fuel-efficient cars would reduce fuel costs by at least 20 per cent of current prices. Modernisation of the fleet of New Zealand cars would give the local assembly industry a short-term stimulation prior to severe rationalisation.

The motor car is an accepted facet of our way of life. People will continue to own cars, whatever the capital and running costs. Government action is unlikely to change this — it is difficult to take away from people luxuries and avenues for freedom that they have grown up with.

There as 1.275 million motorcars registered, and presumably the vast majority are used. Current new car assembly at 68,000 units (the annual average for the last five years means the car population is renewed every 19 years. 75 per cent of all cars in New Zealand are therefore between five and twenty years old.

The cars of the 1960s and early 1970s were usually powered by large four and more often six cylinder engines — designed when petrol was less than $2 a barrel.

More recent cars, besides being better designed and equipped, have engines that generally more efficient and use less petrol.

The top-selling car of 1972 was the Holden, giving about 20 mpg depending on engine size, transmission and so on.

The car of 1979, the Ford Cortina, would probably average 30 mpg. And the scope is there for even better results.

Car buyers responded to the change in sales tax structure in 1974 and moved down in size. The time may be right to attempt another move down.

The car of 1981 could be the Toyota Starlet or Mitsubishi Mirage, which offers better than 40 mpg. If sold in sufficient quantities, with other makes of similar efficiency, significant savings in fuel imports could be made.

Thirty thousand cars that would be classed as efficient were sold in 1979. If this figure could reach, say, 75,000 for each of the next five years, then that many old and inefficient cars could be scrapped.

If these 375,000 old cars were replaced by new efficient cars, then at current prices for oil, there could be an annual saving of more than $200 million for imports of petrol each year.

That is the positive side of the argument. To counter it we have the problem of increased motor vehicle import costs while fleet modernisation is taking place.

An additional consideration is that these small cars are not generally suitable for conversion to LPG. Larger and less efficient cars are adapted more readily.

Minor changes in the structure of the new-car-market in 1979 gave cars with small engines (below 1300cc) a larger share. They secured 41 per cent of all new registrations, according to Post Office statistics.

In 1978 they accounted for 37.8 per cent of new sales.

Contraction of the six-and eight-cylinder sector continued last year, when only one car sold in eight had a large motor.

Ford Motor Company managing director Joseph Auton predicts that this sector will stabilise at 10 per cent — but it may be some time off.

According to the latest statistics, sales of these cars have been growing steadily in the past few months.

Ford Falcon's XD range has been selling at reasonable levels sinces its May introduction, while GM's Holden Commodore Sedans have sold well since local assembly began. Sales of these larger, fuel gobbling cars approached 15 per cent of the market in the last three months.

Medium-sized cars took 47 per cent of the market, down from 49.5 per cent in 1978.

This year will probably see a similar sales pattern as in 1979, although the large sector would grow at the expense of the medium-sized cars.

Economy cars, like Mitsubishi's hot-selling Mirage, will also be a sales force this year.

Other new cars for 1980 will boost the small car sector. These include a new Honda Civic, based on the already successful hatch back these, and slightly larger-bodies Mitsubishi Lancer (due in March) and Toyota Corolla.

Last year was the year of the Ford, which achieved market leadership in style. The company held number one slot all year and finished with a market share of 22 per cent.

In second slot is Todd Motors, which overtook New Zealand Motor Corporation, now New Zealand's No 3 assembler.

General Motors and Toyota rankings did a switch — an involuntary and embarrasing one for GM, once New Zealand's number one company.

This year should see Toyota consolidate its hold. It performed well in the last quarter of '79 and with its modern model line up, (three out of its four basic models were new for 1979) looks set for good results this year.

A new Corolla will complete the update and give Toyota a car in all major sectors to face the competition.

The new car market grew to 68,000 units in 1979, (this includes completely built-up units) compared with 64,500 in 1978 and an industry crisis of 59,000 in 1977.

Although figures show an improvement, the car assemblers have no reason for celebration. There is still a great amount of unused capacity, and painful rationalisation moves are still to come.

The form of this, and its timing, is still uncertain. Rationalisation has been talked about for years and there will be much more talk before anything happens.

But one thing is certain: by 1989 there will be many fewer models to choose from, assembled at fewer locations.

It is absurd to have capacity for more than 100,000 units a year when the market will not exceed 70,000.

On the shorter term — say, over the next five years — there is considerable scope for a revolution in New Zealand car ownership.

Mitsubishi Mirage . . . will be a sales force this year